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# China Report

RED FLAG

No. 5, 1 March 1985

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## CHINA REPORT

### RED FLAG

No. 5, 1 March 1985

Translation of the semimonthly theoretical journal of the Central Committee of the Communist Party of China published in Beijing.

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SPEECH AT THE NATIONAL RURAL WORK CONFERENCE (14 DECEMBER 1984)

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 2-9

[Speech by Wan Li]

[Text] The nation's current political and economic situation is gratifying. Because of the whole party's heightened consciousness in implementing the line, principles, and policies set forth by the 3d Plenary Session of the 12th CPC Central Committee and the 12th party congress, and because of the progress of the first stage of party rectification, the whole party is politically more united, and the nation's situation of stability and unity has become increasingly more consolidated. The economy is thriving, certain targets stipulated in the Sixth 5-Year Plan have already been overfulfilled 2 years ahead of schedule, and the people's material and cultural lives have been gradually improving on this basis. Particularly noteworthy is the improvement of the peasants' living standard during the past 5 years, which was faster than any other period in the past. In 1983 the total value of agricultural output of 138 counties in the nation was double that of 1978, and that of Li, Bin, and Wucheng Counties and Wuxi city increased by more than 200 percent. Ours is the country with the greatest number of peasants. The 800 million peasants' ardent support for the party's policies and their unprecedented enthusiasm in developing commodity economy and educational and scientific work are of inestimable significance for our country's prosperity.

The development of the rural situation in 1984 was surprising in many respects. Output again increased in all areas of production following the bumper agricultural harvest in 1983. It is estimated that the 1984 total output of grain will be 800 billion jin and that of cotton will be 110 million dan, again hitting an all-time high. The speed of development of town and township enterprises was even more surprising. Their total output value in 1984 will be 150 billion yuan, exceeding that in 1983 by 23 percent. Some areas, such as Fujian and Anhui, where the foundation of town and township enterprises was weak, have advanced in broad strides and tried hard to catch up with other areas. Some areas, such as Jiangsu, Guangdong and Zhejiang Provinces, Jiaodong peninsula, and southern Liaoning Province, which have considerable strength, have continued to maintain the momentum of speedy development. The 800 million peasants' income was increasing steadily, the rural areas became an important pillar of the domestic market for industrial goods and are playing an increasingly powerful role in giving impetus to the

nation's economic development. Generally speaking, the rural areas' most conspicuous characteristic lies in their increasingly momentous development of a commodity economy. During the 1983 national rural work conference I stressed that secretaries of county party committees and county magistrates must assume overall responsibility for the entire economic situation and should not merely function as agricultural secretaries or county magistrates in charge of food production. Actual experiences show that this exhortation has attracted nationwide attention. The achievements and progress leading departments at all levels accomplished in organizing commodity production in 1984 were inseparable from the heightened awareness of the guiding thought.

Rural reform has given impetus to urban reform. In accordance with the principle of integrating fundamental Marxist theories with China's actual situation, the 3d Plenary Session of the 12th CPC Central Committee earnestly summed up the experiences and lessons gained and learned in the past 30 years or so since the founding of the republic--and especially the experiences gained in the rural and urban reforms during the past 6 years--and made the decision of restructuring the national economy, with the focus on the urban economy. We can anticipate that a great revolution revitalizing China--a revolution with far-reaching historic significance--will be launched throughout the country, and this revolution will create even more favorable conditions for the next reform in the rural areas, replacing the rural areas' self-sufficient or semi-self-sufficient economy with a commodity economy and replacing traditional agriculture with modern agriculture. Releasing even greater vitality, urban reform will create more and better means of production and means of living for the rural areas and promote a large-scale proliferation of science and technology, qualified personnel, and information in the rural areas; and this will put forward new and even higher demands for rural development, requiring, in particular, the agricultural sector to produce more, better, and more varied agricultural goods. A situation where cities and rural areas cooperate, help each other forward, develop together, and become increasingly prosperous will appear. Comrade Deng Xiaoping pointed out that we will build a socialist society with distinctive Chinese characteristics. This could be a highly important characteristic.

However, we must see soberly that our country is, after all, a comparatively poor and backward nation. We still have to traverse a long process of arduous pioneering work before we can build it into a modern, powerful socialist nation. The current achievements are no cause for satisfaction. We also must see that we do not have sufficient experience or qualified personnel for organizing a socialist commodity economy; in fact, we are deficient and weak in this respect. Our old ideas and conventions no longer meet the needs of economic development, and we must study anew and go through the process of adjustment as soon as possible. This calls for the leading cadres at various levels in the rural areas to be bold in making experiments and innovations in practice; be earnest in studying the advanced experience at home and abroad; dare to forego the outworn things and change all the incompatible things in terms of ideas, system, policy, and work style; break away from things that hinder reform; and give meticulous guidance in accordance with the natural and economic laws. The leading cadres must also be good at

grasping the new situations, summing up new experience, and resolving new problems.

The new problems emerging in the current rural work can mainly be summarized as follows:

# 1. On the Change in Rural Production Structure

Food is of utmost importance to the people. Agriculture is the foundation of the entire national economy. We must have a clearer understanding of this issue. For a long time our agriculture has been based on a single-product structure, taking grain as the key link. Owing to "leftist" ideas and policies, we have not been able to solve the problem of shortages in grain and cotton despite all-out efforts. Since the 3d Plenary Session of the 11th CPC Central Committee, the party has set right the line, principles, and policies for guiding rural work. The CPC Central Committee understands that the readjustment of the agricultural structure and the rehabilitation of peasants must be based on the foundation of grain. Therefore, determination was made to import some grain, and to appropriately raise the purchasing prices for grain, cotton, edible oil, and other agricultural products at home. However, no one can foresee that policies can be so effective, and that the contract system of fixing output can play such an important role in accelerating the development of agriculture and boosting output of grain and cotton to such substantial quantities. Over the past 6 years, regardless of changes in weather, increases have been consistently reported in the production of the major agricultural products so that many localities face problems in "selling," "storing," and "transporting" grain. Cotton faces the same problem. Some comrades are worrying about this, saying that they put on a new hat of worry when they have just taken off an old hat of worry. I don't share this view. I should say with emphasis that boosting output of grain and cotton is a good thing, a very good thing. Comrade Mao Zedong said long ago that "we don't worry when we have grain in our hands." The general alleviation of the longstanding grain shortage situation is a great achievement of rural policies over the past several years. This achievement has provided the material foundation and favorable conditions for China's agriculture change toward large-scale commodity production and toward modern agriculture. This is indeed a rare historical opportunity. Moreover, the present surplus grain situation is only, comparatively speaking, a temporary phenomenon. From a long-range point of view, as the people's livelihood rises to a comparatively well-off level, and the people's diet gradually changes from one consisting purely of grain to one containing more meat, milk, fowl, and eggs, 800 jin of grain per person would be insufficient. Besides, we must also be prepared to deal with possible serious natural calamities. Hence, to store a little more grain is advisable. Of course, the change from grain to production of more meat, milk, fowl, and eggs must call for comparable social purchasing power. If the change is too fast and the purchasing power fails to catch up, there will be sales problems. In 1983, the state procured several tens of billions more jin of grain, and the peasants stored several tens of billions more jin of grain. With 1984 another bumper harvest year, there were huge accumulations of commodity grain in a short time. This is indeed

a new problem that we are required to solve. "The cleverest housewife cannot cook a meal without rice." Now, rice is in surplus, and we need more "clever housewives." This shows that we lack the capability for transforming the large-scale production of commodity grain and cotton. Therefore, I feel that we should coin the following slogan: "Let everyone learn to become clever housewives in transforming the structure." We must firmly grasp the favorable opportunity of surplus grain and cotton to accelerate change in the rural production structure.

First, we must clearly understand the concept of the rural production structure. Following development of rural commodity production, many counties and provinces have conducted surveys, zoning, and planning of agricultural resources. Hence, much progress was made in understanding the local natural, economic, and human geography. Consequently, much improvement has also been made in guidance concerning economic work and leadership over reform. However, we must also seek to further improve understanding and use the point of view of systems engineering to elucidate the entire content and inherent law of the rural production structure.

Agriculture, forestry, animal husbandry, sideline occupation and fishery are the foundation and they should be adjusted proportionally. In order to socialize and commercialize agriculture, it is necessary to break away with the traditional concept of "the countryside means agriculture" and establish a scientific concept of modernized rural production structure, that is the concept of the whole and multiple production in the rural areas. We should use this concept to guide the change in the structure of rural production. In other words, we should study the entire rural economy, develop a favorable situation in line with local conditions, act in accordance with natural and economic laws, protect and promote an ecological balance, and gradually turn the rural economy into a favorable cycle. Specifically speaking, we should do the following:

First, in areas suitable for planting grain crops, we should do a good job in planting them. We should strive to raise unit yield, increase varieties according to the market need, and gradually raise quality to advanced world level. Land that is unsuitable for planting grain crops should no longer be used for that purpose but instead used for forestry, animal husbandry, or fishery production. Land sloped at or above a 25 degree grade must not be used for cultivation. Of course, we should change the use in a systematic manner according to the actual situation. The state can make adjustments and ship grain to places where the supply of grain may be inadequate. A main reason for unproductive land in some places is damage to the ecological balance and environment. For example, in Zongyang County, Anhui, land had been reclaimed from more than 200 square kilometers of water surface since the founding of the PRC, resulting in natural disasters over the past years. Similar conditions exist in many other localities. They must be changed without delay.

Second, it is necessary to promote the comprehensive operation of agriculture, industry, and commerce. In particular, food grain should be processed in several ways to increase its value. In places with surplus corn and

soybeans, we should speed up the development of animal husbandry, fishery, and other forms of animal husbandry in order to transform the use of grain. In 1984, the peasants in Haian and Rugao Counties, Jiangsu, vigorously developed poultry raising and built chicken slaughterhouses and canning factories; some other localities restored the traditional rice market and carried out long-distance transportation and selling of grain by making use of the specialized households and their associations. These methods are recommendable.

Third, it is necessary to adjust the agricultural structure according to the market need and natural conditions. Economically developed coastal areas and the suburbs of large and medium cities may be exempted from or reduce grain procurement. Those areas should plant less or even stop planting cotton and grain crops. In accordance with the policy of serving the cities and helping people get rich, those places should develop economic crops with local special characteristics, promote open and suburban types of agriculture through "attracting outside funds and establishing links with other places" and speed up commercialization of agriculture.

For example, the people in the Liaonan [6697 0589] area installed large plastic sheds in the field and used solar energy instead of fuel to produce chives, cucumbers, and other fresh winter vegetables. Three to four crops can be produced within one cycle (8 months). The investment per mu of land was 400 to 500 yuan but economic results exceeded 10,000 yuan. I think they can vigorously develop such production according to the market need and furnish the whole province and sell them to Jilin, Heilongjiang, Nei Monggol, and other localities. Guangdong is adjacent to Hong Kong and Macao and so it can make arrangements for production according to the market need in Hong Kong, Macao, and Guangzhou city. The economy in mountainous areas should be further developed in an open manner through setting up development funds or other methods. We should change from giving money and things to setting policy, creating opportunities, importing technology, and sending capable people to those areas. We should change from giving free support to support on condition of repayment. We should change from "infusing the areas with blood" to raising the capability of those backward areas in "creating blood." We should utilize local mineral resources, lumber, medicinal herbs, and other resources to develop commodity production. We can also go all out to plant fruit trees and flowers or develop tourism in some places if conditions permit. Various provinces can establish economic cooperation in the spirit of mutual benefit. For instance, Jiangxi and Hunan can sell rice to Fujian and Guangdong at appropriate prices in order to give full play to the superiority of those provinces in producing grain. Producing grain can also lead to wealth.

Fourth, we should adjust the proportion of primary, secondary, and tertiary industries and gradually shift farm labor to secondary and tertiary industries and constantly raise their economic, technical, and operational level. We should now vigorously develop industries with relatively low technological requirements, such as communications and transportation, mining and construction. Those industries can absorb large numbers of farm laborers and make use of the manpower flexibly to make money. They can also provide

a foundation for the development of other rural industries and achieve a multipurpose goal. The central authorities have decided to distribute a certain quantity of grain and cotton to subsidize peasants who take part in building highways. In Yunnan, 400,000 people are being engaged in such activity. The various provinces should strive to do this well. Priority should be given to the peasants' operation of processing industries which use materials from the rural areas, such as food and fodder processing and the building materials industry. At present, the output value of processing industries using agricultural and sideline products as materials only accounts for 73.7 percent of the total agricultural output value. Compared to developed countries, there is a big gap. We must strive to increase the output value of processing industries using agricultural and sideline products to 100 to 200 percent of the total agricultural output value.

The tertiary industry, which is a weak link in rural economic development, includes mostly labor-intensive trades. It is necessary to promote vigorously the tertiary industry and gradually increase the number of personnel engaged in the industry to over 30 percent of the total labor force. Moreover, where conditions permit, localities may develop modern rural industries similar to those of cities in order to speed up the process of spreading urban industry to rural areas.

In a word, we must do everything we can to change the planting of grain crops to the cultivation of other crops. It is necessary to seize the current opportunity of relative plenty in supplies of grain and cotton to restructure effectively agriculture, industry, and the labor force in order to change the occupation distribution of the Chinese population and reduce the proportion of people engaged in farming. Only by doing so can we gradually concentrate farmland in the hands of farming experts, appropriately expand the production scale of farm produce, further increase the yield per unit area and labor productivity, maintain the steady growth in grain output, coordinate the development of various rural industries, maintain the sustained growth in rural development, continuously raise the peasants' income and consumption level, and make the rural commodity economy more thriving. Since the convening of the 3d Plenary Session of the 11th CPC Central Committee, the peasants have been happier year after year and they should be made even more happier year after year following the convening of the 3d Plenary Session of the 12th CPC Central Committee.

In 1985, the state will institute the policy of purchasing a fixed amount of grain and cotton. In areas where the peasants' income has doubled or tripled because of grain and cotton output increases in recent years, this policy may temporarily affect the peasants' income if they fail to readjust the agricultural structure in good time. This is a major problem which, if not properly handled, may discourage the peasants and, therefore, should be duly taken care of. From the central down to the local governments, it is necessary to emancipate the mind and seek solutions to the problems of selling grain and cotton, which have been further complicated by the current contradictions among the pricing, the financial, and the circulation systems. It is necessary to pool the wisdom and efforts of all quarters and reform the system in a planned manner. In my opinion, we should reduce the area of

cotton crop while continuing to pay close attention to grain production, but with an emphasis on readjusting the structure of variety of crops. In deciding the purchasing amount and price of agricultural products, it is necessary to consider all interacting factors, attach great importance to protecting the enthusiasm of the broad masses of peasants, and adopt direct and indirect methods to ensure the peasants of the sustained growth in their income.

We must not take the grain problem lightly. A few years ago, the peasants rushed to contract for land. However, in some localities, the peasants now only contract for grain plots and not responsibility plots; in some other localities, the farm plots are even left uncultivated. These symptoms deserve our close attention. Some counties have adopted active measures to cope with these symptoms by issuing certificates of extension of the land contracts, strengthening the socialized services for agricultural production, improving the work regarding purchase of farm products, changing the planting of grain crops to the cultivation of other crops, seriously implementing the price policy, and forbidding the practice of indiscriminate apportioning expenses among the peasants. These methods may be used for reference by various localities.

Here, I want to say a few words about hog raising. Abundance of grain has always been accompanied by multiplication of hogs. "An abundant harvest of all food crops" is often coupled with "the thriving of the domestic animals." However, in some localities at present, because of the change in policies and the imbalance of price relations, the peasants find hog raising unprofitable and so are reluctant to raise hogs. This has impeded the development of hog raising. For this reason, it is necessary to promptly change the method of assigning purchase tasks, to gradually relax the policy of supply and marketing, and to follow the market trends. After the policy of supply and marketing has been relaxed, it is necessary to give the urban residents a fixed amount of subsidies so as to avoid impairing their well-being.

## 2. On the Question of Village and Township Enterprises

In the past, village and township enterprises were placed in a difficult situation because they were blamed, in some quarters, for competing with big industrial enterprises in cities for raw materials, energy sources, and markets or even for causing unhealthy practices. The rapid development of village and township enterprises in 1984 explains that more and more people have become aware of the importance of village and township enterprises. However, in order to further promote their development, it is necessary earnestly to study and solve a few questions concerning the understanding, policy, and work.

First, we lack a comprehensive understanding of the concept of village and township enterprises. It is incorrect to regard only cooperative enterprises collectively owned by the masses of former townships, villages, and production brigades as village and township enterprises while excluding or even discriminating against enterprises run by peasants with their own funds or with funds raised among themselves in recent years. As a matter of fact,

enterprises jointly run by the peasants or by individual peasants have become an important factor for the continued development of village and township enterprises in many places, and their total output value has constituted more than a half of the total output value of the village and township enterprises. Therefore, it is necessary to encourage and support the enterprises jointly run by the peasants or by individual peasants and treat them the same as other rural enterprises, without discrimination.

Second, in the leadership system, we should persist in separating government from enterprise functions and should not indiscriminately requisition the financial and material resources of village and township enterprises. The situation of unauthorized change of administrative authority over village and township enterprises and indiscriminate requisitioning of the peasants' collective property under the pretext of reform or turning it over to specialized departments is rather serious in some localities. It is necessary to investigate problems and duly handle them. It is also necessary to separate government from enterprise functions in former commune- and brigade-run enterprises and, through instituting various contracting systems, turn the enterprises into the peasants' collective economic entities. The peasants should be given a free hand in operating enterprises jointly set up by them or by individual peasants, and local governments should not willfully interfere in the operation but should step up guidance in various fields and render service to improve the operation.

Third, we should establish a reasonable tax system. Tax should be collected; but in collecting tax, we should carry out the relevant guidelines set by the central authorities and act in such a way as to be conducive to the development of production and to fostering and conserving our tax resources. In no way should we adopt the method of "killing the hen to get the eggs" just because we want to make immediate gains. The speedy development of the village and town enterprises in Shazhou County, Jiangsu Province, is inseparable from the local revenue and tax departments' measures of first supporting these enterprises and then collecting tax from them. During the period between 1979 and 1983, the county revenue and tax departments reduced taxes on or remitted taxes to the village and town enterprises in the whole county by 72 million yuan, whereas the amount of taxes submitted by the village and town enterprises in the whole county increased by 133.13 million yuan. This is the method of "giving before receiving." I think that there are three ways to collect taxes from village and town enterprises. One is "giving before receiving," which is the best policy. Another is "giving and receiving," which is the moderate policy. And the third is "receiving without giving" or "killing the hen to get the eggs." This is the worst policy. We should persist in implementing the best or moderate policy and avoid adopting the worst policy.

With the gradual development of the work of urban reform, village and township enterprises will face a new challenge. To progress in competition, village and township enterprises must make positive efforts to consolidate themselves. They must attach importance to market information and make marketable products. They must raise their technological level, be adept at operations and management, reduce their production costs, and improve

their product quality. Only thus can they have a sound footing and continue to grow in strength.

### 3. On the Questions of Rural Banking Work and the Accumulation of Peasants' Funds

The change in the rural production structure involves the recombination of various elements of production. In this process, funds play an especially important role as a "binder" and a "cracking catalyst." With a certain amount of funds, it will be possible to motivate and "bring together" other elements of production, promote specialization and division of work, and form a real productive force. Because of this, funds are an indispensable basic element in reforming the rural production structure and developing a commodity economy. From now on, each year there should be a large amount of the rural labor force diverted from the work on the land to new production projects. To provide this labor force with necessary facilities and develop new production projects requires a considerable amount of funds. In the next few years, however, it will be impossible for the state to largely increase its investment in agriculture, so it is necessary to depend mainly on bank loans and self-provided funds. The close combination of production development and the borrowing and loaning of funds is one of the basic conditions for socialized mass production. It follows that we must fully understand the position and role of banking in the commodity economy. The leadership at all levels should learn how to use banking as a tool and pay attention to understanding banking. Agricultural banks and credit cooperatives are principal channels through which funds in rural areas are pooled together. In the past few years, they did a great deal of useful work. However, our banks in the past were somewhat like fund-distributing administrative organs, and their position was subordinate to the financial department. They were not adept at extensively absorbing the idle funds in society and then using these funds in a reasonable way. They are currently far from competent in undertaking the arduous tasks. It is imperative to speed up their structural reform and to appropriately develop the people's credit within a certain scope. Now our peasants have begun to have money. Though individually it is not much, altogether the amount is about several dozen billion yuan. The question is that we should learn how to put money together, how to use money, and how to make money. In recent years, all localities have deemed it important to organize peasants to raise funds. In some counties, the amount of funds raised is as much as 30 or 40 million yuan. Raising funds by the masses has a clear aim and yields very quick results. The great mass fervor that appeared in 1984 in raising funds in rural areas was closely linked with the rapid development of village and township enterprises. In 1984 alone, seven counties in Zhejiang Province raised 270 million yuan; and as a result, over 10,000 new village and township enterprises were established in a short time. Practice has proved that raising funds by the masses is not a pure financial activity, but more often than not it is a comprehensive process in which fund-raising, as the central task, motivates the flow and recombination of various resources, talented personnel, technology, and the labor force. For this reason, it can quickly result in a productive force, facilitate the flow of funds from one place to another, and assist in the diffusion of talented personnel and technology. The advantages derived from raising

funds by the masses have made up for the limitations of banks and credit cooperatives due to structural problems that have so far not been resolved. These advantages are, therefore, warmly welcomed by the peasants. We should get enlightenment from this for reforming the banks and credit cooperatives. In some localities, the masses act blindly in using the funds they have raised. Because of this, the departments concerned should make more efforts to guide them.

Some regional economic associations organized by peasants have appeared in developed coastal areas. These economic associations have rather sizable genuine strength in terms of financial resources, expertise of personnel, and technology. In addition to meeting local competition, they have begun to make investments in backward areas. This is a good way to develop backward areas. While using their funds in other areas, they have to make arrangements to send necessary personnel and technology to those places. This will be conducive to using the funds successfully and receiving economic benefits. It is hoped that the two sides will make more contacts so as to establish and develop such relations of mutual assistance and benefit. The competent departments of the government should also provide convenience for this kind of interarea economic development and joint economic operations and set up rules to give them preferential treatment in tax and in other aspects.

To ensure that more of the peasants' money will be used for developing production, small energy projects (such as small hydroelectric power stations, biogas producers, small coal mines, and projects utilizing wind power and solar energy), and public utilities, it is imperative to ban all kinds of unreasonable apportionments of expenses in order to reduce their burden. Now there exists a general problem in those areas with developed village and township enterprises--that is, village and township enterprises are asked to support everything and "food is seized from the rich households" under the pretext that the public utilities are "run by the local people and subsidized by the state." According to an investigation conducted in Xushi township of Changshu city, Jiangsu Province, the nonproductive social burden on the village and township enterprises accounts for 25.6 percent of the total amount of funds they set aside for turning over to the village and township governments. Document No 1 issued by the CPC Central Committee in 1984 contained a measure for defining the items and limiting the amounts of burdens imposed on peasants, but it has not been seriously implemented in many localities, and the peasants' burdens have increased rather than lessened. Every province should examine the problem in this respect, make a serious effort to solve it, and resolutely ban unreasonable apportionment of expenses.

Continued efforts should be made to correct earnestly the "jealousness" against specialized households; otherwise, other peasants would not dare to become better off or reveal their affluence. This has a very harmful effect on the development of the commodity economy and the raising of funds in rural areas. Therefore, attention should be paid to protecting the specialized households and various kinds of cooperative economy, and their legal rights and interests should be protected by the law. Each locality should set up some necessary rules, regulations, and statutes; and when

conditions are ripe, unified laws should be formulated by the central authorities. These laws should be strictly enforced; otherwise, they will become scraps of paper.

#### 4. Establishment of a New Type of Socialist Urban-Rural Relationship

We cannot reform the rural production structure by merely relying on the efforts in rural areas without the support of the advanced productive forces in cities. The all-round development of urban reform has provided a good opportunity for the further development of rural areas.

Making arrangements for urban productive forces to spread to rural areas step by step in a planned way is a strategic measure concerning the overall development of the urban and rural economies. In September 1984, I mentioned the experience of the Beijing Washing Machine Plant. This plant makes "White Orchid Brand" washing machines and has arranged to have 98 percent of the machine parts made in rural areas. In the past 5 years, the plant building has not been expanded, and there has been no big increase in the number of its workers and staff members, but the output and profit have increased 30 and 50 times respectively. In the meantime, it has helped develop the economy in a vast expanse of countryside. People call this the "White Orchid road," which is of nationwide universal importance. In recent years, all localities have gained numerous experiences in this respect that are worth learning. For example, they have formulated different credit-loan and tax policies for urban and rural areas, so that some of the enterprises which are suitable for development in the countryside are encouraged to move away from the cities; they have applied appropriate regulatory means to integrate the enterprises which carry out production by a coordinated process with the city playing the "leading role" and the countryside playing a "supporting role"; and they have developed joint operations by taking positive actions and exploiting the favorable conditions in cities and the countryside. All such experiences should be summed up and popularized in a serious manner. The CPC Central Committee and the State Council have already made the decision that cities can lead their surrounding counties; that is, cities are taken as centers for developing the economy. From now on, cities should open their city doors, and villages should open their "village doors." All comrades, whether they are doing rural or urban work, should take the overall urban and rural economic situation into consideration. They should strive to eliminate the barriers of one kind or another between cities and the countryside, promote the urban-rural economic association, and gradually set up a new type of production structure between the urban and rural areas characterized by division of work and involving a variety of fields.

The most effective and important diffusion of urban productive forces to the rural areas is the spread of talented people. It is impossible to enliven the economy in the rural areas without competent people. This is one thing the peasants have become more and more aware of now. In the past, it was said that "there will be no stability without agriculture, no abundance without industry, and no vitality without commerce." By 1984, the saying had another clause added to it: "There will be no prosperity without

talent." Aside from the questions of structure and ideology, the problem of development of the rural commodity economy lies mainly in transportation, information, energy, and, especially, knowledge and talented people. In the final analysis, the competition between urban and rural enterprises is one of intellectual power. In order to forge ahead through competition, village and township enterprises must strive to raise their intellectual level. Our current education, qualified people's job placement, and management systems are far behind the needs of the development of a commodity economy and should be speedily reformed. Some localities attach great importance to the reform of rural education. They have been offering vocational education and technical training to the peasants by vigorously running various types of rural schools of science and technology and general education and have already gained remarkable results. In the future, the diffusion of competent people from the cities should be promoted more closely with the efforts in this area in order to speed the dissemination of science and technology. In these few years, scientists and technicians working in the rural areas have played a very important role in rural development to the welcome of the masses of peasants. They deserve commendations and material rewards by the party and government. The central authorities are studying and making a decision on reform of education and scientific and technological work, requiring all urban and rural areas to exert greater efforts to develop technical and vocational education and strengthen elementary education and teachers' training. At present, it is impossible and unnecessary for most of the counties and cities to open universities. Universities should not be set up blindly. Otherwise, we will get half the result with twice the effort and may cause unnecessary losses.

As a commodity economy develops in the rural areas, the importance of building small cities and towns is becoming more obvious. I am both happy and apprehensive about this. I hope that there will be rapid development in building them. But I am also afraid that unguided and blind development might hurt the peasants. China now has over 5,000 organizationally established towns and some 54,000 towns that are not. In addition, there have emerged a number of prototype burgeoning towns with a very promising future. If the building of so many towns is carried out all at once, it inevitably will cause the following problems: First, diversion of the forces, absence of any focal point, prolonged construction, and slow results; second, comparatively more enormous investments incompatible with the financial resources of the state and the peasants; and third, use of more cultivated land and great difficulty in making reasonable utilization of the land, which will bring about especially serious consequences. Therefore, I feel this construction should be relatively concentrated by focusing attention first on those localities which have already taken the initial shape of a small city and those relatively larger towns which are organizationally established. We should make early decisions regarding the integration of towns and townships in which villages will be placed under the leadership of towns and map out construction plans that will allow an appropriate expansion in the scale of their arrangements. We should also make early decisions on further relaxing the policy to encourage the peasants to come to the towns to run the small enterprises already there by entering bids, signing contracts or taking out leases, or building new enterprises, operating tertiary industry

businesses, and jointly investing in the construction of basic facilities in the cities and towns. The Ministry of Urban and Rural Construction and Environmental Protection and the departments concerned should pay close attention to such work as the designing of buildings, the supply of building materials, the layout of the cities and towns, and the demonstration of techniques. They should strive to build with high efficiency a number of small cities with fairly large capacities and complete facilities where the land is more economically used.

With the economic links between urban and rural areas becoming increasingly closer with each passing day, the spheres of circulation will play an increasingly bigger role. The emergence of rural market of specialized trades should attract our close attention. There are 10 big markets of specialized trades in Baoding Prefecture, Hebei. Among them, the acrylic fibers market in Lixian County has established purchase-and-marketing relations with 43 factories in 23 provinces and cities throughout the country. The volume of business it did during 9 months in 1984 was 96.7 million yuan. These markets of specialized trades came into being and have developed with the aid of two forces: The first force is the peasants' boldness to shatter the various hard and fast rules and regulations, to enter the spheres of commodity circulation, and to supply raw and semifinished materials, and sell the finished products in support of the newly established enterprises, thereby promoting the formation of the markets of specialized trades. The second force is local governments' open support for these markets and their efforts to organize the various departments to improve their service, thereby promoting the prosperity of these markets. Both of these two forces are indispensable. The experience in this respect is of important significance in strengthening the economic ties between urban and rural areas and reforming the rural production structure. It is hoped that the leadership at various levels will actively lead the new rural enterprises in establishing coordination and joint operations with the urban factories, will adopt effective measures to establish a system offering various kinds of socialized services in various forms and at various levels, and will break through the limitations of the hard and fast rules and regulations and improve the conditions for developing the rural new enterprises, so that there will be a closely woven and open-type economic network extending from the urban to the rural areas.

##### 5. On the Question of Strengthening and Improving Party and Government Service To and Leadership Over Rural Work

The reform of the rural production structure and development of large-scale commodity production have brought about many new contradictions and problems which require us to master many methods and means we have had little or no knowledge of in the past. For this reason, it is imperative to strengthen and improve party and government service to and leadership over rural work and realize a fundamental change in terms of ideology and method. This is to say, we must emphasize the need to seek truth from facts in doing everything to creatively implement the central authorities' principles and policies in close connection with the specific conditions in each different locality. Under the guidance of the general principles and policies,

various localities may formulate some supplementary rules and regulations to make the policies more relevant and applicable. We should make efforts to learn how to apply more frequently such economic levers as price, taxation, and credit to stimulate the operation of the economy, give full scope to the functions and powers of the state through formulating laws, decrees, and regulations and learn how to apply the law. It was pointed out in the decision of the 3d Plenary Session of the 12th CPC Central Committee that reform is aimed at establishing a dynamic socialist economic structure and promoting the development of social productive forces in order to meet the increasing material and cultural needs of the society as a whole. It is therefore necessary to handle correctly the relations between the interests of the state, the collective, and the individual. If the reform carried out in a department or unit is aimed at promoting the interests of a part at the expense of the whole, of a unit itself at the expense of the society, or even of an individual at the expense of the people, then the reform must be resolutely opposed and stopped because it runs counter to the guidelines of the central authorities.

In keeping with the development of the situation in the rural areas, reform of the administrative structure at and below the county level should be stepped up. I think all administrative organs of the state from the county, township, and town all the way down to the village level should do a good job in serving the development of a commodity economy. First they should ensure that principles and policies are implemented well. They should also concern themselves with legislation, with providing guidance for the macro-economic plan—including information dissemination, control, and coordination—and with education. Counties, townships, and towns must make a good effort in promoting primary and secondary school education. In short, administrative intervention in specific economic activities should be drastically curtailed. Administrative organs should be streamlined. This can be done by various localities in accordance with their respective local conditions. Do not seek to establish an organ just because there is one at the upper level. Do not mechanically copy what others are doing.

The county is where urban and rural economies merge. It is the basic unit with fairly complete economic functions of a Chinese society. Comprehensive reform at the county level will transcend the stage of microeconomic development, relax microeconomic activities, and alleviate the contradiction characterized by incompatible macroeconomic coordination. This will make the state more capable of guiding economic activities, promoting urban and rural economic ties, removing the barriers between the urban and rural areas, harmonizing the differences in interests between the urban and rural areas, and giving impetus to the overall development of the urban and rural areas. This is the inevitable development of the reform of the rural economic structure of the earlier period. It also represents a major link in the current urban reform. It is hoped that all localities will boldly carry out explorations and reforms.

In accordance with the party Central Committee's arrangements, county and primary level organizations are scheduled for party rectification during the next phase. For the party rectification to promote economy and reforms,

we should first make further efforts to eliminate the "leftist" influence through party rectification, do away with the old concept of natural economy, foster the idea of a commodity economy, and master the skill of doing things according to the law of value. Currently, there is very good momentum in the rural areas to develop commodity production. However, it is necessary to guard against the revival of such unhealthy tendencies as blind orders, exaggeration, formalism, and putting up a beautiful facade. Such symptoms are beginning to emerge in some localities. There are also some localities where the tendency to use power for personal gains is manifesting itself to some extent. They are not serving the peasants heart and soul. Instead, they are harassing the peasants, pushing them aside, and harming them. These two kinds of problems must be solved in the course of party rectification.

It is a matter of course to vigorously commend the rural cadres, PLA commanders and fighters, and advanced elements among the peasants who have made contributions toward developing the rural economy and promoting the building of civilized rural areas. However, they should be educated to guard against getting dizzy with success. We are faced with many new problems, so we must never become conceited, stop going forward, pay lip service, tell lies, or talk big. We must act diligently and in a down-to-earth way, use our brains more often, find more approaches and ways to do things, and make more efforts in investigation and study so as to strive to do well the work of serving and coordinating the development of the commodity economy.

Here, I want to recommend to you two findings reports. One was made by the CPC Committee of Langfang city, Hebei. The CPC committee organized nearly 100 cadres to make investigations in 200 suburban villages which differed from one another in the speed of economic development, and then made comparisons between and analyses of these villages. It found five causes, thereby getting a clear picture of how to develop the rural commodity economy. If various other localities can make similar investigations and take their findings as the basis on which to give classified guidance, they will be able to raise their leadership level with notable results and will succeed in using party rectification to promote economic development and reform. The other report was on the reorganization of the rural basic-level leading bodies in Wuji County, Hebei. This also was a greatly inspiring report. It pointed out that many rural party branches at present cannot adapt themselves to the new situation and new tasks and it is necessary to seriously reorganize them so that every village will have a leading body which is ideologically emancipated and politically sensitive, adheres to correct party styles, knows how to grasp economic work, and is capable of leading the masses in eliminating poverty, becoming rich, and attaining the goal of quadrupling the annual gross output value. In view of the existing problems, the report also pointed out that in reorganizing the leading bodies, it is necessary to reorientate and transform them by paying attention to promoting the enterprising young people who are versed in doing business and are of a relatively high political and cultural level, and by letting them charge forward like "a pawn after crossing the river" as in Chinese chess. These are the very problems which need to be solved during the party rectification at the basic level. It is hoped that everyone will

consider them together with the problems of party rectification in rural areas.

The above are some questions raised and some ideas offered by me. However, in order to do the work well, we must rely on every one of us, rely on the diligent and intelligent peasants and intellectuals, and rely on their creativity as well as their enthusiasm to build socialism. Let us work together under the guidance of the decisions of the 3d Plenary Session of the 12th CPC Central Committee to make still greater achievements in 1985.

CSO: 4004/24

## STRENGTHEN MANAGEMENT, WORK OUT AND PERFECT ECONOMIC LAWS AND REGULATIONS

Beijing RED FLAG in Chinese No 5, 1 Mar 85 p 10

["Forum"]

[Text] In economic structural reform, there are many things to "attend to," but one important thing is to strengthen management and work out and perfect economic laws and regulations.

This year, we should take a stride forward in reforming the price system and the wage system. To successfully carry out reforms and prevent large-scale price fluctuations, it is necessary to strengthen macroeconomic control. Reforms cannot be successfully carried out without an excellent social environment of stability and unity in which the people observe discipline and the law. In the course of reforms, opening to the outside world, and enlivening the domestic economy, we must strengthen management and stress the importance of discipline in order to coordinate reforms with opening to the outside world, enlivening the domestic economy, and strengthening management, system, and discipline. To strengthen management and discipline, we must work out economic laws and regulations and a management system which are suited to reforms and the work of opening to the outside world and enlivening the domestic economy.

Some unhealthy tendencies which are currently seen in society are seriously hampering, disrupting, and discrediting economic reform. Some people stir up unhealthy tendencies for their own sake or for the sake of their own groups. They sell and resell materials the state urgently needs, exact charges at will, and give bonuses, subsidies, and promotions to whoever they like, thus causing serious harm to the interests of the people and the state. All this violates economic laws and regulations and financial discipline. In strengthening management and enforcing discipline, it is necessary to have a clear understanding of the following problems: What adaptations can be made? What violates the law and what does not? What violates financial discipline and what does not? How should we handle those who violate the law and discipline? They should be dealt with according to the law and regulations.

We are carrying out overall and profound reforms in which new economic relationships will be established between the state and enterprises and between

enterprises and their employees. There must be laws and regulations to stipulate the contents and methods of handling these economic relationships. We are developing the socialist commodity economy, in which both commodity producers and handlers need protection for their own economic rights and interests and demand that their counterparts perform their economic responsibilities. This also requires explicit economic laws and regulations. Apart from administrative methods, economic means, economic laws and regulations are all the more necessary for regulating the economic activities of commodity producers and handlers.

Economic laws and regulations should be worked out in line with specific conditions. They should be enforced strictly and conscientiously. If legal provisions are not abided by, legal documents will become mere scraps of paper. Strengthening discipline and strictly enforcing economic laws and regulations can guarantee the successful carrying out of economic structural reform. We must foster the concept of law and resolutely safeguard the strictness of economic laws and regulations and discipline. The economy should be enlivened and the policy toward enterprises should be "relaxed." But economic laws and regulations and discipline must never be enlivened or "relaxed." Instead, they must be strengthened. At present, we must change the situation in which discipline is ignored. Instead of tolerating typical cases of violating law and discipline and abusing power for personal gain, we must thoroughly examine and deal with them. State organs and state enterprises must take the lead in observing law and discipline. Judicial, financial, auditing, taxation, price, statistical, industrial, and commercial departments, banks, and customs offices should perform their duty, strengthen supervision and inspection, and combat all practices violating law and financial discipline.

CSO: 4004/21

## STEP UP SUPERVISION AND INSPECTION, PAY ATTENTION TO INFORMATION FEEDBACK

Beijing RED FLAG in Chinese No 5, 1 Mar 85 p 11

["Forum"]

[Text] Now we are carrying out economic structural reform and the whole situation is very satisfactory. However, under this very satisfactory situation, we must keep our minds sober because new problems and contradictions will continue to crop up one after another.

The following saying has recently become popular: "There are policies from above, but there are methods to counter them at the lower levels." Once a policy is issued, some people will think of ways to exploit the loopholes of the policy so as to get the most possible gain for their own units and small groups regardless of the serious losses that they may have caused the state as a whole to incur. This cannot be allowed. Therefore, all party and government organs at various levels must pay attention to obtaining timely feedback of information so as to strengthen the leaders' ability to see things beforehand and to give timely guidance to work. Sometimes a small move is seen and immediately reflected, and thus corresponding measures are adopted to enable us to solve a major problem. For example, the CPC Central Committee and the State Council long ago made a decision that party and government organs and cadres are strictly forbidden to conduct commerce, set up enterprises or to make profits to fund wage reform on their own. How has this decision been implemented? To answer this question, it is necessary to get information feedback. For another example, the fact that various kinds of companies, centers and foundations have mushroomed has played some positive role in promoting our economic development, but there have also been quite a few problems. To counter these problems it is also necessary to get timely information feedback. Without information, we will be blind in doing our work. There are positive and negative information feedback and we should pay attention to both. If we reject negative feedback, we will continue to follow a wrong path and will not correct our mistakes until the problems become serious and we have suffered great losses. We should make sound and satisfactory investigation and study, reflect the state of affairs in the manner of seeking truth from facts, and seriously and conscientiously do a good job in examination and inspection.

We should be aware that we still lack experience as to how we are to satisfactorily carry out a planned socialist commodity economy. The situation of

reforms is very fine and we should not lose the good chance, but we are still not clear what problems we will encounter in our way of progress. We must look around after taking a step forward and adopt a conscientious and prudent attitude. We should "respond flexibly" and solve whatever problems we have found. At present we should particularly fight against the malpractice of taking advantage of the reforms to wantonly developing unhealthy tendencies and to thus undermine the reforms.

In short, we should be practical and sound in doing our work and prompt to reflect the situation and should seek truth from facts. The central leading comrades time and again have told us to oppose the practice of formalism, giving a false impression of satisfactory work, seeking false fame, doing work only for the purpose of impressing the upper levels, and reporting only the good news and not the bad. Some units wrote false reports to the upper levels. This showed that they fail to foster pure party spirit and violated the discipline of our organizations. We must resolutely overcome this mistake. The upper-level organs should give no credence to lies and must know the actual situation in the lower levels. Without supervision and examination, the party cannot exercise its leadership. Supervision and examination are important duties for our leading organs. We should not think that the problems are solved as soon as we issue a document on them. We must always do a good job of supervision and examination. Only by so doing can we ensure that what the document stipulates is actually implemented.

CSO: 4004/21

RESPECT KNOWLEDGE AND TALENT AND UNITE IN THE STRUGGLE TO REJUVENATE THE  
CHINESE NATION

Beijing RED FLAG in Chinese No 5, 1 Mar 85 p 12

["Springtime Message" by Xu Deheng [6079 1795 3801]]

[Text] We have scored remarkable results in 1984. It is envisaged that, under the guidance of the Resolutions of the 3d Plenary Session of the 11th CPC Central Committee, the four modernizations drive will further develop and we will make further breakthroughs in various reform programs. My springtime wish is that we should work together with one heart in a bid to carry out the four modernizations and open up a promising future.

Respecting knowledge and talent is, in fact, the key to success in the four modernizations. Our current problem is that we are short of talented personnel. Cases where knowledge and talent are not respected are not uncommon in our society. Teachers are still beaten up in some localities. We all know that Article 9 of the Resolutions of the 3d Plenary Session of the 11th CPC Central Committee states clearly that knowledge and talent should be respected. This is of primary importance. We ought to earnestly carry out the policy on intellectuals. We should make them feel at ease in working endeavoring to gain professional proficiency, dedicating their talent and nourishing the younger generation. The four modernizations drive hinges solely on the party's policy, the people's hard work, and science. We ought to do a good job in carrying out the party's policy. We have to take various measures to speed up our work in nourishing more talented personnel. Our youngsters should treasure their learning conditions and study harder to become useful.

A united front is one of the three magic weapons for the people's victory. Forming a close united front with the Communist Party, the masses of the people have won a victory in the revolution and they will surely construct a new China. There has been great development in both the theoretical and practical aspects of the united front since the 3d Plenary Session of the 11th CPC Central Committee. In this new historical era, the united front still remains a major magic weapon for achieving the three missions. I am extremely excited to greet this favorable situation. I am now 96 years old. I have lived through the Qing Dynasty, the Northern Warlords period and the period of the Nationalist Party. I have also lived in the new China for

more than three decades. I have strongly sensed China's past sufferings and I have also sensed that our present achievements were not easily made. I strongly hold that we can achieve the unification of the motherland and succeed in our four modernizations if all the people in China unite in the struggle to rejuvenate the Chinese nation.

I am a regular reader of RED FLAG. I hope this theoretical magazine will become more realistic and pragmatic, varied and interesting, and lively and vivid. I also hope that more terse and forceful articles will be published. Wishing RED FLAG every success in the new year.

CSO: 4004/21

## CHERISH THE MOST VALUABLE WEALTH

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 12-13

["Springtime Message" by Yang Xianzhen [2799 3759 3791]]

[Text] Best springtime wishes to the theoretical workers.

All theoretical work should aim to serve the four modernizations. The most important principle is to have correct theory. What is the correct theory? It is Marxism, which coexists with our revolutionary cause and will never become outdated.

As time moves forward, it is inevitable that Marxism should, with the development of practice, continuously move forward. But by moving forward, it does not mean that it should go astray from its original basis. Otherwise, how can it move forward? What is its basis then? It is the method of thinking of dialectical materialism and historical materialism, the most important and valuable wealth bequeathed to us by the forerunners of Marxism. Can we go astray from the Marxist way of thinking when we analyze, understand and resolve problems? We can't. Simply because up till now there isn't any better way of thinking. By saying the Central Committee of the party is more mature, we mean that it has attained a higher Marxist standard and it is more capable of using dialectical materialism and historical materialism to resolve China's practical problems. The reason we have scored remarkable results in our socialist construction cause is that our party has succeeded in leading all the people in the country to tie up Marxist theories with China's practical situation and to construct a socialist state with distinctive Chinese features. If we stick to what we are doing and adhere to the idea of combining theory with practice, Marxist theories will be greatly enriched and further developed, we will open up a prosperous prospect in our theoretical work and our theoretical workers will have a promising future.

We have to cherish dialectical materialism and historical materialism and take them as the most important and valuable of the various types of social wealth.

CSO: 4004/21

READILY ABSORB THE WISDOM PASSED DOWN FROM ANCIENT TIMES

Beijing RED FLAG in Chinese No 5, 1 Mar 85 p 13

["Springtime Message" by Hou Wailu [0186 1120 1687] on 11 February 1985]

[Text] "Wisdom is cumulative and passed down from one age to another. Since I am living in later age, examining the past helps me to judge the present. However, I should not rigidly adhere to past.... Born in this age, I am greatly indebted to the works of past sages. I am now sitting here, ready to absorb the wisdom passed down from ancient times. How happy I am to be in such a position!" The above quotation was said by Fang Yizhi (1611-1671), a famous scholar who lived in the late Ming Dynasty and the early Qing Dynasty. With sagacity he tells us the succession of human knowledge (culture) as well as the relationship between history (the past) and reality (the present). He advocates that our predecessors should be respected. He, however, opposes the idea of "rigidly adhering to the past." Instead, he is proud of the innovative idea of "readily absorbing the wisdom passed down from ancient times." Fang Yizhi was three centuries away from us. Although time has changed greatly, we should succeed to and publicize his idea of "readily absorbing the wisdom passed down from ancient times." As Marxist historians and being confident that a world outlook of dialectical materialism has been formed, we should have a broader perspective than Fang Yizhi's. Not only should we succeed with perspicacity to the legacy of human civilization, but pay attention to the study of prominent contemporary schools of thought and learn from their strong points and cast away their weaknesses in a bid to advance our historical research. Being complacent and conservative and closing ourselves to international intercourse will surely impede our academic development.

CSO: 4004/21

## RESPECT TALENT AND MAKE A SUCCESS OF IMPORTS

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 13-14

["Springtime Message" by Mao Yisheng [5403 0110 0581]]

[Text] As with all of you, I have many feelings at the arrival of spring. I feel that our motherland is in an extremely favorable position.

How are we going to further secure and develop this wonderful situation? This is a question which every one of us should think about. Article 9 of the "Decision of the Central Committee of the CPC on Reform of the Economic Structure" states "respect knowledge and talent." I give credence to Comrade Deng Xiaoping's belief that this article is of utmost importance. I would, therefore, like to say a few words on import of talent.

Imports may mean two things. One is economic imports such as the import of foreign capital, advanced science and technology, scientific management systems and methods, etc.; another is the import of scientific and technical talent. A price has to be paid for imports. We also have to do a lot of research before we can improve our imports. I hold that departments and units concerned should conduct thorough investigations in a purposeful, organized, planned, and selective manner. Rushing headlong into mass action, which will result in waste, should be avoided. The import of talent is, in itself, a science. It is incorrect for us to say that wind must be followed by rain. Nor is it correct for us to think that the more we import the better. We already have certain types of talent, only that we have not given our talented personnel ample opportunities. We do not have to import such talented personnel any more if we have made the necessary arrangements and carried out the policy. Certain knowledge or technology can be attained through research done by ourselves or through other channels. It is not necessary for us to employ foreign experts or scholars. Although we respect other people's view, we have to pay attention to the feasibility of their proposals and consider whether they can achieve the best economic results. The import sources should not be confined to one or only a few countries. Those whom we need desperately and who are friendly to us can be invited. A problem related to the import of talent is to send people to study abroad. Those who are truly patriotic and capable should be sent abroad, bearing in mind the objectives are, after all, to introduce something useful from the foreign world and to help nourish our own talented personnel.

In sum, the development of our national economy hinges primarily on our own strength, our own science and technology, and improvement in our management. The import of talent should only be taken as a necessary and useful supplement which truly helps us carry out our economic reform. I will, as long as I live, devote myself unreservedly to the speeding up of our modernization cause.

CSO: 4004/21

## MY HOPES FOR THE YOUNG

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 14-15

["Springtime Message" by Hua Luogeng [5478 5012 1648]]

[Text] As spring has come, I hope the youngsters will, during the new year, learn more, think more, work more and do more socially and economically constructive work for the construction of our national economy.

Those who are outstanding in their studies should apply their knowledge to the construction of the motherland and make us become production cracker-jacks. Those who are not too outstanding in their study should also apply their knowledge to the construction and improve our aptitude and knowledge. Those who are perspicacious should create things which are prominent and beneficial to mankind.

During these years I have always been thinking of the youngsters who have been poisoned and influenced by the 10 years' internal disorder. I do not agree with those who think that one generation is missing. This is a specious argument. The generation in question objectively exists. People of that generation are now mental or manual laborers. They are our future successors. This is an inescapable natural law. On the other hand, because of the "Cultural Revolution," they were deprived of 10 years of learning. It is more difficult for them to be entrusted to shoulder the four modernizations cause. What are they going to do if they are entrusted with shouldering this important task while lacking knowledge? Frustrated? Grumbling? That is not the correct attitude toward the rejuvenation of the Chinese nation. Youngsters with noble aspirations should try their best to pick up. It is not impossible for them to pick up. The number of people who went to college during the "Cultural Revolution" and, through these several years of hard work, have become talented personnel (either intellectually or physically) is by no means small. If others can, why is it that we cannot do the same thing?

Undoubtedly, if they lack knowledge, they should pick it up on their own and should also learn from their seniors and peers with whom they have contact.

The first precaution they should take if they want to pick up knowledge on their own is not to bite off more than they can chew. They should be aware

of the fact that science as well as all kinds of work can only be achieved step by step until the zenith is reached. The results will be disastrous if they make one wrong step. The 10-year period of the "Cultural Revolution" is completely blank. We cannot afford wasting any more time.

Our party and government have attached importance to "reality" since the 3d Plenary Session of the 11th CPC Central Committee. With such wonderful surroundings, we should proceed from practice. We should be practical and should start from "reality." We can soon catch up if we pursue the road of "reality." If one misses his target, he will lag behind in his practical work even though he possesses the necessary academic qualifications. I strongly believe that our youngsters can, for the well-being of our motherland, catch up and surpass their seniors.

People of the older generation should help the youngsters and should set a good example for them which is always better than precept. It is always good to listen to flattery and praise which, however, may make people complacent and conceited and dampen the will to climb up. Harsh criticisms, which make us uneasy or even embarrass us, help us know where our weaknesses are and encourage us to do better. Knowledgeable youngsters are definitely in a position to analyze criticisms and absorb the positive side while casting away the negative side.

I sincerely hope that scholars who show concern for the youngsters should, apart from writing great books, thick books, and all-embracing books, spend some time and energy writing small books which are clear, highly readable, simple, and practical in a bid to help the youngsters acquire, in the first place, things which are practical and in desperate need. This is the seniors' responsibility to their youngsters.

All of us love to talk about the fourth dimension which comes from the combination of one dimension (time) and three dimensions (space). Although the importance of the theory of relativity lies in the fact that these dimensions are united within the same system, time and space are, in practice, entirely different. If we walk 3 km from Tiananmen to the east and then walk 3 km to the west, we will be back to Tiananmen. But the walking time doubles. This year, the first solar term starts on 4 February at 5:12. After 365.24 days we will have another first solar term. We can see that the sun will go back to its original position. But man will be 1 year older. Time will never come back. Only when we cherish time and use it in a planned and efficient manner can we achieve our four modernizations early.

Youngsters envy their seniors for their knowledge, capability, and experience. But these are the things they can catch up with. The seniors envy their youngsters of their youth, good health, and active minds. However, these are the things they can never regain. History, therefore, tells us that as in the Changjiang River the waves behind drive on those before, so each new generation excels the last one.

CSO: 4004/21

## HOW BEAUTIFUL IS SPRING IN CHINA!

Beijing RED FLAG in Chinese No 5, 1 Mar 85 p 15

["Springtime Message" by Ding Ling [0002 3781] on 16 February 1985]

[Text] I wrote an essay called "Spring in China" 33 years ago at the time China had gone through a tremendous change and everything began to grow in abundance under the gorgeous sunlight and the tender breeze. An irrepres- sive force could be sensed everywhere. The situation was similar to Gogol's depiction of the troika with which no one could catch up. Today, when I picked up my pen, that feeling surged over me again. Oh, how beautiful is spring in China!

Yes, after all, our republic's wheels are moving on a realistic road, though sometimes it may be rough and bumpy and sometimes we have taken the wrong road. Nevertheless, since the smashing of the "gang of four" and since the 3d Plenary Session of the 11th CPC Central Committee, the energy and strength which were long suppressed and laid hidden in our motherland and nation and have once again erupted and pressed forward with indomitable will. From the rural areas to the cities, reform programs have been dis- cussed and carried out. The tide of reform has brought the message and atmosphere of spring from the rural areas to the cities and also to the literature and art circles. Isn't Comrade Hu Qili's congratulatory speech delivered on behalf of the CPC Central Committee at the Fourth Congress of the Writers' Association a reflection on the ideological aspect of the reform of the economic system being carried out by the entire nation and on the great reform of the party's leadership in literature and art? How wonderful is his "Congratulatory Speech" which states that "literature and art creation is a kind of mental labor prominently characterized by the writer's individuality. It should give full rein to individual creativity, perspicacity, and imagination. It should have a profound understanding of and original views on life. It should possess unique literary techniques. Literature and art creation should therefore be free.

Spring is full of life. It stands for hope and it is calling upon us to labor. So far as the literature and art circles are concerned, there is still a lot of hard work to do regarding the eradication of the long- standing "left" influence and the realization of freedom of speech and creation. The age of reform has facilitated the prosperity of literature

and art which hinges solely on writers' realistic and hard work. In the beginning of the new year, I sincerely hope that my old and new friends in the literature and art circles will cherish the freedom of creation and use it in a correct manner and work hard for the grandiose prosperity of Chinese literature and art.

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## THINKING OF THE OX IN THE YEAR OF THE OX

Beijing RED FLAG in Chinese No 5, 1 Mar 85 p 16

["Springtime Message" by Wang Chaowen [3769 2600 5113]]

[Text] According to the Chinese Lunar Calendar, this year is the Year of the Ox. From now on, I hope I will shoulder heavy responsibilities like an ox, but will not be as clumsy as it is.

During the Writers' Congress on the eve of 1985, Comrade Hu Qili, on behalf of the CPC Central Committee, declared: We must change the "leftist" tendency in the leadership of literature and art, and must guarantee the writers' due freedom of creation. This declaration signals the approach of an excellent situation characterized by vitality, unity and prosperity in the literature and art circles throughout the country.

To realize genuine freedom, workers in the literature and art theory circles should not depend solely on a free social atmosphere, but also on the subjective conditions favorable to the freedom of creation. To create a new situation for studying literature and art and to attain new achievements, we should not only do away with external "leftist" interference, but also eliminate the pernicious "leftist" influence in our minds. Only by doing this can we liberate our thinking and develop creatively a Marxist theory on literature and art with Chinese characteristics.

In a famous saying about sense of responsibility, Lu Xun said: "Head-bowed, like a willing ox I serve the children." In my opinion, being "willing" is not equivalent to being "submissive to oppression or maltreatment," but being happy to shoulder heavy responsibilities in the cause of the people. It seems that only when theoretical workers in accordance with the New Year message issued by the CPC Central Committee, "think with their own brains" rather than adopting a dogmatic view in conducting their studies, will we be able to continuously make new achievements and be in line with the excellent situation this spring in our socialist country.

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## WOMEN AND REFORM

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 16-19

[Article by Luo Qiong [5012 3890]]

[Text] As a result of the development of the national economy and society during the past 35 years since the founding of the PRC, the number of women workers has grown and has come to constitute a large proportion in the contingent of mental workers and manual workers. Among the 150 million women capable of working in the rural areas, an overwhelming majority have participated in various kinds of work, accounting for nearly one-half of the total rural work force. By 1983, the number of female staff in urban enterprises and institutions under the ownership of the whole people and collective ownership totaled over 41.98 million, representing 36.4 percent of the whole work force. The number of female scientific and technological personnel was 1,982,700, constituting 33.99 percent of the total number of scientific and technological personnel. The vast numbers of women constitute an important component of the work force; among them experts, scholars, outstanding talents, and advanced model workers have emerged in large numbers. Taking part in social labor, the vast number of women have not only made significant contributions toward socialist modernization program, but have also created conditions for the further liberation of women, and ensured that equality between men and women, safeguarded by law, will be gradually materialized in a widening scope. Men and women are fighting side by side on all fronts, and women's mental attitudes and their social status have undergone a tremendous change. This has given the Chinese people very much to be proud of and has won the commendation and admiration of our friends in other countries.

At present, the reform of the economic structure centered on cities is being launched on a very broad scale and in great depth. During this reform, what view should we adopt on the status and role of the masses of women? What should we do to carry out work on women and what actions should women be required to take? This is an important question that warrants serious study and proper solution.

Marx said: "Without the yeast-like function of women, it would be impossible to have great social changes. The progress of the society...can be accurately measured by the social status...of women." ("Collected Works of Marx

and Engels," Vol 32, p 571) This reform has a bearing on the future of our country, and is of immediate concern to millions of workers, peasants, and intellectuals. It is not only of vital importance to men, but also of importance to women workers and is closely related to the masses of women. Without the support and participation of women, the reform will not be successful. On the other hand, the success of the reform will certainly help further liberate women. The belief that "women should return to the home" is disadvantageous to both economic reform and women's liberation.

In the reform, women workers are by no means a "burden," but a dynamic force. This has not only been proven in the reforms carried out in the rural areas, but has also been proven by the experience in the urban units involved in pilot projects of economic reform. Due to the achievements of the institutional reform and the flourishing development of various trades and productions, wide openings in production have been provided for women. The wealth created by women, and their contributions to the country, the collective, and the family have been unprecedented. This is also true in the urban areas. In enterprises and areas where the reform has been relatively successfully carried out, the majority of female staff support and actively participate in the reform; among them those who are courageous and talented have been promoted to leading posts and have played an important role in invigorating the enterprises. The success in the reform and innovation conducted by the headquarters of the Hai Yan Shirt Factory in Zhejiang, according to its director Bu Xinsheng, should be attributed to the guidance of the party's principles and policies and the support of a number of "small household managers." These "managers" are the middle-level cadres who are working vigorously in various sections and workshops. The majority of them are young women. Of the 8 section heads, 4 are women and of the 10 workshop directors 9 are women. They are career-minded, well-educated, and talented, and have played an important role in promoting the reform. On whom, then, do these middle-level cadres rely? They rely on all the workers of the factory, 64 percent of whom are women.

Productivity has been improved as a result of economic reform, it is therefore not surprising that a force of surplus labor, particularly women, has emerged. In some enterprises and areas, the reform has been successfully conducted through the development of production, opening of diversified economies, and proper readjustment of job-types. Everybody will be happy if the issue of the surplus labor force is properly resolved. On the contrary, if this useful labor force is regarded as a "burden," and is shifted onto society or the family, it will impair the development of production, stability, and unity.

Both the leading comrades of the party Central Committee and the State Council have issued clear-cut directives on job opportunities for the surplus labor force. Comrade Hu Yaobang repeatedly pointed out that we should try every possible way to diversify production and means of earning a living. In May 1984, Premier Zhao Ziyang pointed out, the fundamental issue on the deployment of labor force in China lay in the problem of employment. We encouraged the enterprises to exercise economy in labor force not because of a labor shortage, but because we wanted to enhance the

productivity of the enterprises, at the same time solving the problem of employment and living of the surplus labor force. To deploy the surplus labor force by developing tertiary industry has been an effective method used by many units during the reform. A public housing construction company in Tianjin had over 900 women workers. Apart from those who were engaged in management and technical work, 350 of them were engaged in heavy manual labor such as pushing carts and carrying bricks. As the sites were far away, their locations were always changing, and the women's physical strength was limited, the women workers had difficulties in their jobs and livelihood. Before the reform, their attendance rate was low and the enterprise's economic results were adversely affected. Later, the company invested 300,000 yuan to develop tertiary industry. Making use of the existing houses and lands, the company operated two tailor factories, three department stores, and one construction factory in succession so that more than 200 women workers were transferred to these units from previous posts pushing carts and carrying bricks. After these job transfers, the women workers' minds began to settle down. They studied hard and worked enthusiastically and some even became backbone workers while others became management cadres. From September 1982 to the end of August 1984, the total turnover of the three department stores was 8.77 million yuan. After paying over 550,000 yuan in taxes, they made a net profit of over 350,000 yuan. The two tailor factories had a balance between income and expenditure. From July 1983 to the end of August 1984, the newly built construction factory's output value amounted to more than 300,000 yuan. The women's individual incomes had generally increased. The economic benefits of the construction company were remarkably increased. Before the readjustment, the output value of an individual's work in 1981 only amounted to 3,520 yuan. This rose to 5,018 yuan in 1982 after the readjustment, and to 5,534 yuan in 1983. This shows that the readjustment has benefited the country, the enterprises, and the individuals.

At present, the tertiary industry in China is still relatively backward, the number of people employed in this industry constituted only 15 percent of the total number of employees in China, and its output value only represented 20 percent of the total national output. In developed countries, both the number of people employed and the output value make up more than one-half the total. Due to the backwardness of the tertiary industry, there are difficulties in buying food, eating, clothing, and obtaining child care. This brings about much inconvenience in production and livelihood. Therefore, the development of tertiary industry has become an important issue in the reform. All over the country, people are taking measures to vigorously develop tertiary industry which has a great variety, a large capacity, and is labor intensive. This will provide many job opportunities for surplus women workers and young people seeking employment. It will also be good news for those who worry about the heavy household chores. Women will benefit most from the development of the tertiary industry and will also be a dynamic force in such development.

It has been suggested that women staff should go home to manage household affairs so that the vacancies could be filled by the large number of people awaiting employment. However, this is not a good remedy. From 1978 to 1983,

more than 44.6 million people in China were given jobs; apart from those assigned to institutions under the ownership of the whole people, the majority were voluntarily engaged in the collective economy or in self-employment. This arrangement has helped solve the problem of people awaiting employment and development of newly emerging labor forces, it has also made things convenient for the people, invigorated the market, and promoted the development of the overall socialist economy. Practice has proven that, to create jobs for people awaiting employment, we should provide them with more openings. We should create job opportunities in institutions owned by the whole people, by the collective, and by individuals instead of asking women to go home.

Despite the fact that when both the husband and the wife work, the heavy household chores affect both parties' performance and study, we cannot use this as an excuse to suggest that men should be involved in social labor while women should stay at home to manage household affairs. The fundamental solution to this problem is to promote the society's productivity, develop collective welfare and social services, and realize the socialization and modernization of house work. For example, we can establish various types of nurseries, operate more commercial enterprises, produce more fast foods, provide more ready-made clothes, provide high-standard domestic electrical appliances at low prices, reduce the time spent on household work by making use of modern appliances, and develop home services and provide them in accordance with the needs of the families. In socialist society, doing house work is, to a certain extent, socially significant, and is different from house work in society of private ownership which is purely of a private nature. Nevertheless, house work is by no means equivalent to social labor. We cannot ask women engaged in social labor to go back to their homes merely for the reason that house work is of social significance. The fundamental issue of women's liberation lies in economic prosperity and economic independence. Women engaged in household chores will have to extend their hands with palms open to ask their husband for money and will not be economically independent. This will upset the equality between men and women and undermine the foundation of women's liberation. Of course, when women are engaged in production or in the individual economy at home, they are serving society. This is entirely different from the proposal that women should stay at home and be engaged solely in household chores.

Some comrades say that women staff often take time off to take care of their children and demand much in terms of social benefits. This is disadvantageous to the development of economic benefits. Thus, women workers are not welcome. This concept and its implementation are both incorrect. Giving birth to children is the reproduction of mankind and is essential in social development. The special role played by women in this aspect deserves our respect and attention. In view of women workers' physiological characteristics, it is imperative that the law should safeguard their casual leave and maternity leave. Following the development of production, women workers' special difficulties have, in fact, been gradually overcome. We should by no means regard women's physiological characteristics as shortcomings and discriminate against them, nor should we use them as a ground for the erroneous belief that "women should go back to their homes." This belief

is not a constructive measure in promoting the development of social productivity to solve existing problems. On the contrary, it will further encourage the development of such feudalistic ideas as men being superior to women and that men should deal with external affairs while women should deal with domestic affairs. This contravenes the basic principle of equality between men and women as stipulated in the constitution.

We must make efforts in various areas, earnestly do a good job in women's work which is being reformed, further motivate women's enthusiasm, and give full play to their wisdom and creativity.

First, we should organize women cadres to seriously study the "Decision of the CPC Central Committee on Reform of the Economic Structure," guide the women masses to have a profound understanding of the spirit and essence of the decision, enhance their awareness of taking part in the reform, continue to liberate their thinking, do away with "leftist" ideology and the shackle of traditional concepts, overcome the idea of inertia and complacency and the sense of inferiority, boldly stand on the frontline of the reform, boldly explore during the reform, boldly make innovations, carry on a tenacious struggle, give scope to their special skill and make due contributions.

Second, we should respect women intellectuals and promote the education level of the broad masses of women by a big margin. The central authorities have repeatedly pointed out that in the socialist modernization program, we should respect knowledge and talented people. Chinese women intellectuals, though not great in number, constitute a valuable asset of our country. As the "leftist" ideology of discriminating against intellectuals has not been completely done away with, women intellectuals are in even greater difficulties. Therefore, while adopting measures to improve the status of intellectuals and their working and living conditions, we should pay particular attention to women intellectuals, publicize their contributions, encourage them to continuously acquire new knowledge, help them to solve domestic problems, create favorable conditions for them to give full play to their wisdom and talent, and struggle against all erroneous acts of discriminating against women. We should earnestly adopt some measures to deal with the situation in which the majority of women lack modern knowledge and have low standards in culture, science, and expertise. Only when women possess a higher level of culture and science, more experience in production, and master advanced expertise ways of and management in their trades can they give full play to their potential in the building of the two civilizations and win the respect of people. Otherwise, they cannot be relied upon to make greater contributions and fight for equality between men and women. We should develop various educational institutions, act in accordance with the stipulations of the constitution and the law, safeguard equal rights for men and women to receive an education, and resolutely change some erroneous acts of some secondary and tertiary institutions which discriminate against women with respect to recruitment. At the same time, we should strengthen spare-time education for women and advocate the idea of becoming useful persons through self-study. The most urgent task in the rural areas is to prevent girls and young women from becoming

illiterates. We should encourage school-age girls to go to school and organize young and middle-aged women to study and acquire knowledge. The broad masses of women should study arduously and make progress.

Third, in promoting new people, we should treat men and women equally. During the present reform of the economic structure, a large number of outstanding talented people have emerged from among the broad masses of women in both urban and rural areas. They are young and energetic, equipped with modern knowledge, bold in exploring, and innovating, and have become active "galloping stallions" on various fronts. To help the growth and development of these outstanding young people, it is earnestly hoped that the leaders concerned will take pains to nurture them as gardeners water and grow plants, and to support them like loving mothers when they meet with setbacks. While selecting and training the third generation of cadres, leaders should treat men and women equally, offer them equal conditions, and give them equal chances for training, job assignments, and promotions.

Fourth, the whole party and the whole community should be concerned with the healthy development of children and young people. In the short run, doing a good job in this respect will help men and women workers eliminate their troubles at home and will train a new reserve labor force for the year 2000. In the long run, it will train the successors for the communist cause. In this respect, we should continue to uphold the principle of the integration of the family, the school, and society and make efforts to train Chinese children into new people with an overall development in moral, academic, physical, and aesthetic aspects. Parents are the first teachers of their children. Families are natural schools for the education of children. The healthy growth of children has a close relationship with parental education and family influence. We should place the improvement of family education on the agenda for discussion. We should seriously study ways to enable parents to master the correct educational content and scientific approach to education. Many areas in the country have held seminars on family education, and organized talks on family education, to exchange experience meetings in family education, and meetings to commend good parents. This is a good beginning. We should pay attention to summing up experiences and achieve practical results. We must continue to uphold the principle of the state, the collective, and the individual advancing hand in hand. We should suit measures to local conditions, proceed from reality, and vigorously develop nurseries of different kinds and through various channels, and should try our best to overcome young children's difficulties in being admitted into nurseries. In both rural and urban areas, we should try every means to establish more nursery teachers' training schools or run more training courses to provide more training for nursery teachers and staff. We should motivate young women to actively take part in this work, improve the quality of teaching so that preschool children will gradually get a better education.

It is one of the party's basic policies and one of the state's policies clearly stipulated in the constitution that men and women are equal and that women are liberated. There are women in all sectors and all sectors have women. The key to doing a good job in the above-mentioned task lies

in strengthening the leadership of the party committees and government at various levels. Women's associations at various levels have an unbounded duty and women themselves should exert and strengthen themselves and carry out reforms, make innovations, and open up new avenues for advancement with an indomitable will-power. It is also hoped that leaders of the departments, enterprises, and areas concerned will make concerted efforts to do a good job in motivating women comrades in their respective units, enterprises, and areas and in motivating both men and women to give impetus to pushing forward the powerful current of the reform.

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## BOLDLY RELAX POLICIES AND INVIGORATE THE ECONOMY, ACCELERATE URBAN REFORMS

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[Article by Wu Guanzheng [0702 1351 2973]]

[Text] In May of last year, the central authorities gave approval for Wuhan to implement a series of planned projects and to carry out integrated reforms in the economic system by launching pilot projects. In the year since then, such reforms have been carried out with vitality in different fronts of the city, as well as in various trades and professions, and now we are proceeding from reforms involving only single items or part of the system to all-round reforms involving integrated projects. It has not been very long that integrated reforms have been carried out in the city, but they have already demonstrated their power. The enterprises have now begun to be invigorated, the market has shown initial signs of prosperity, and economic benefits have been remarkably increased. The city's attraction, ability to reach to other areas, and integrated service capabilities have been strengthened, and an open economic network policy centered on the city is being formed. In 1984, the industrial and agricultural production of Wuhan reached 15.363 billion yuan, an increase of 12.8 percent over the previous year. This can be broken down to an industrial production of 14.239 billion yuan, an increase of 11.7 percent and an agricultural production of 1.124 billion yuan, an increase of 28.5 percent. Compared to the previous year, the industrial enterprises realized a profit growth of 13.4 percent, the retail sales volume of commodities in the society increased by 20.5 percent, and financial income grew by 7.6 percent.

We have scored initial success in Wuhan's reforms. This is primarily due to the central and provincial authorities which have created very favorable conditions for us. On the other hand, we have fully exploited these favorable conditions and, with vigor and zeal on our part, have paid special attention to making proper use of talented personnel, opening the conurbation of Wuhan (comprising the three constituencies of Wuchang, Hankou, and Hanyang), and invigorating enterprises. By doing these three things we have initially effected a breakthrough in our reforms.

### I. Value Knowledge and Go All Out To Make Full Use of Talented People

In the process of our reforms, the leadership at all levels has felt a greater and greater thirst for talented people and knowledge. We have a

strong feeling that "the most urgent issue at present is to make proper use of talented people." If proper use is not made of a generation of energetic talented people who are rich in knowledge and pioneering spirit, it will be impossible to do away with old modes and old systems and establish a socialist economic system with Chinese characteristics. To quote Comrade Deng Xiaoping: "The key to success or failure is whether we can identify talented people and make full use of them." With this understanding, we are tightly grasping the fundamental issue of identifying and making use of talented people.

In order to give play to talented people, we must first do away with old thoughts and establish a new concept of staff selection and deployment. Proceeding from the actual situation of Wuhan, we have insisted on doing away with various old concepts and removed ideological resistance in the process of selecting and making use of talented personnel. We have done away with the old concept of "seniority and rank" and have dared to select and make proper use of new people in contravention to old practices. We have done away with the old concept of a "lack of experience" and dared to make proper use of middle-aged or young cadres of great knowledge. We have done away with the old concept of demanding perfection and dared to make proper use of cadres with pioneering spirit despite disputes. We have done away with the old concept of "doing things in accordance with a single set of criteria" and dared to select and deploy staff in accordance with actual situations, and, considering both credentials and actual standards, we have selected and made use of talented people without being shackled by any fixed set of criteria.

At the same time as we are doing away with old thoughts, we must also do away with old management systems and management methods that are not beneficial to the emergence of talented people and their subsequent deployment. In this regard, we have mainly had the "four changes." We changed from a single channel appointment system to a multi-channel system of election, invitation for applications, responsibility or contract, appointments, and so on for staff selection and deployment. We changed from centralized management to management by levels. We changed from allowing individual departments to retain talented people to allowing a reasonable movement of talented people. Finally, we changed from life tenure to fixed-term tenure. This series of reforms has been carried out on a massive scale in the whole city, from one area to the next and from grassroots units to government organizations. Fixed-term tenure has been imposed on over 1,600 cadres who are at the leadership level or above in departments, committees, offices, or bureaus under the jurisdiction of the city. Cadre personnel system reforms have been carried out in over 1,700 enterprises, of which about 80 percent had elections or invitations for application. Some enterprises in the industrial and communications system have even gone so far as to implement a three-item package composed of "democratic election of a factory director, a responsibility system for factory directors, and democratic appraisal of cadres." As a result, a number of previously unknown middle-aged and young cadres have risen in prominence by virtue of their outstanding performance. Practice has proven that it is not true that we do not have talented people. On the contrary, we have talented people in very large numbers. On the one

hand, reforms have allowed talented people to come forward, as well as having helped them use their talents. On the other hand, the emergence of talented people has added impetus to the reforms.

To go all out to make full use of talented people, a reasonable movement of these people must be encouraged. In the past, a remarkable malpractice in the cadre personnel system was that talented people were considered the property by individual departments or units and movement of talented people was not allowed. However, skills and knowledge do not belong to particular regions and departments. With movement of talented people allowed, not only have the intellectuals been much more active and enthusiastic, but people's understanding of knowledge and talent has also been raised to a new high level. The peasants pin their hopes on the learned "gods of wealth," the workers pin theirs on the able "household managers," and the leadership pins theirs on the galloping "stallions." In the competition to select and make proper use of talents, the leadership at all levels and the individual departments have experienced a greater sense of urgency and responsibility in regard to respecting knowledge and talent. Boldly and extensively selecting and making proper use of the worthy and the able has gradually become a new trend with characteristics of the day.

## II. Widely Open the Conurbation of Wuhan (Wuchang, Hankou, and Hanyang); Thoroughly Open and Develop Horizontal Economic Links

Developing horizontal economic links and giving full play to the role of key cities in social production and circulation are an objective need of socialized large-scale production. This is also a problem that needs solving in regard to the integrated reforms of cities. For a very long time, under the influence of "leftist" thinking, cities have been shackled by systems "cut into separate strips and chunks" so that their roles have been restricted to very small spheres or areas. For this reason, the first thing in the reforms should be to do away with the situation of being divided into separate strips and chunks, and to thoroughly open and give full play to the role of key cities.

The opening of Wuhan began with circulation reforms. Under the situation of socialized large-scale production, the process of reproduction is the unity of the process of production and the process of circulation. Circulation is not only a necessary link in the process of creation of social wealth, it is also a prerequisite and pivot point in the growth of social wealth. In fact, Wuhan has been the greatest commodity collection and distribution center in central China in history, and developed circulation has been an important aspect of the economic strength of Wuhan. We decided that the breakthrough point for Wuhan's integrated reforms should be the "two tongs" (circulation and communication), and that the important strategic issue of doing a good job in circulation should be emphasized.

First, we started with the reformation of the commercial wholesale system. We did away with the three wholesale levels set up in accordance with administrative divisions. We established over 90 trade centers of various kinds, which were mainly specific commodities trade centers; developed

wholesale markets, trade broker houses, and country fair trade markets with individual characteristics; and set up 8 commercial streets with individual characteristics in downtown districts. We provided 240,000 square meters of land for foreign and domestic commercial enterprises to set up shops in Wuhan. Some 392 enterprises from within and outside the province have opened shops in Wuhan, and Wuhan's transit population per day has increased from 100,000 in the past to 300,000 at present. The opening of markets has promoted the development of communication. The movement of materials, information, and people requires an "artery," which is communication. We started by developing potential areas and launched a communications reform. We successively founded the Chang Jiang Shipping Company, the Datung Civil Shipping Company, and the Wuhan Civil Aviation Company, and the peasants in the outskirts and the counties poured investments into communications. Now we have initially obtained an enlivened situation in which the state, the collective, and the individual make concerted efforts to develop the river transport, land transport, and air transport industries.

To open up the markets, we must do away with the old system where technological research results and the means of production are not able to enter the market. Since 1981, Wuhan has organized 15 multi-discipline scientific and technological trade fairs of either an integrated or specialist nature, in which over 1,100 teaching, scientific research, and production units have demonstrated over 4,300 research items. More than 1,300 contracts totaling 40,000 yuan have been signed. A number of scientific research items on a par with national and international high standards have been applied to production very quickly. The application rate for the scientific research findings of tertiary institutions and scientific research units in Wuhan has risen from 10 percent to over 30 percent. The opening of the market for the means of production has also produced relatively obvious results. In the past, the supply of coal was not adequate and the enterprises were never sure about the availability of coal for the next stage of production. Many enterprises even had to stop production to wait for supplies. With the opening of the market, coal has poured into Wuhan from Hunan and Sichuan, and the situation of a scarcity of coal has been relieved to some extent. The problem of a scarcity of timber has also been basically solved with the opening of the market.

To open, we must allow competition. Through competition, the best will survive and social economy will develop. The viewpoint that regards competition as a phenomenon characteristic of capitalism, and hence that it should neither be talked about nor allowed, is invalid. The purpose of socialist competition is to do away with "single enterprise business" and "single enterprise monopoly" so that technological progress can be promoted and social needs can be better provided for. In the course of competition, everybody will be under the pressure that "shoddy products will have no market, enterprises without vigor will go under, and incapable cadres will get dismissed." To have the feeling of being under pressure is a good thing. In the past, Wuhan washing machine factory, according to limitations set down by the departments concerned, could get its supply of parts from certain fixed suppliers within the system. This severely affected the quality of its products and the improvement of its economic benefits. In 1983,

this factory adopted the tender system in the purchase of parts and components. The result of this was as immediate as "seeing the kernel upon blowing away the husk." Just the increase in profits generated by lowering costs as a result of inviting bids was enough to contribute to 40 percent of the total profits for the year. This also brought about a strengthening of management and an increase in labor productivity in enterprises submitting bids. Wuhan now has 20 to 30 enterprises that invite bids, and over 1,000 enterprises in the city have entered into economic coordination relationships of various kinds with 28 provinces and municipalities in our country.

To thoroughly open up and to invigorate communications and the movement of materials, we must also incessantly reform our planning and price regulation systems. For 20-plus years, the purchasing and marketing of vegetables in Wuhan were monopolized by the state. The result was that production and operations did not have any vigor and the state was laden with a heavy burden. Last year, after repeated investigations and studies, we realized that the production and marketing of vegetables has its own characteristics, and that its promotion cannot be effected solely by administrative means and imperative planning. The emphasis in the past that the big cities should be self-sufficient in vegetable production was impracticable. The two off seasons in vegetable supply of spring and autumn in Wuhan are due to climate. On the one hand, different vegetables should be grown according to different conditions in different localities. On the other hand, the communication facilities of Wuhan should be exploited in order to purchase vegetables from other areas. The practice and system of having too much state control over pricing and planning of vegetable growing both oppose natural law and the law of value. In July of last year, we made up our mind to carry out reforms and to open up the vegetable market. Although this reform came at the off season of autumn, we still had an "having an autumn off season that was not slack." Since the reform, the quality of vegetables in the market has improved, variety of the various kinds of vegetables has increased, and loss and wastage have been reduced. Though there has been some rise in prices, prices have been basically steady and reasonable, and the consumers, producers, and traders have all been rather satisfied. In June of last year, we also opened up the production and marketing of fish, and turnover immediately increased by over 40 percent. Live fish, which had been difficult to buy in Wuhan, have become available in the market. At the same time, we have also opened up the production and marketing of pork and bean products and have obtained good results. In summation, as a result of opening up, an encouraging trend of "opening up brings vigor, vigor brings bountiful supplies, and bountiful supplies bring low prices" can be seen in Wuhan's markets.

### III. Carry Out Integrated Reforms Around the Central Link of Invigorating Enterprises

Enterprises are cells of city economies. They are also an important source of the state revenue. If we want to invigorate a city, we must first make sure that its enterprises are full of vitality. In regard to invigorating enterprises, we have grasped the following tasks in our reforms:

First, simplify administration and delegate authority, and distinguish the duties and responsibilities of the administration and the enterprises. To delegate authority we must first have faith and liberate our thoughts. We must not "delegate on the surface but hold back underneath" and "let go of the bowl but hold on to the chopsticks." In order to do a good job in simplifying the administration, we started by grasping the work of distinguishing the duties and responsibilities of the administration and the enterprises in the finance and trade department. In August of last year the city decided to close the finance office, city commerce departments, and the grain bureau, and to set up a city commerce management committee as an administrative organization managing the social commerce and the market of the city for the city government. The number of offices was reduced from 36 to 9, and fixed staff establishments were reduced from 381 to 130. The powers of the respective original bureaus over personnel, labor, finance, commodity prices, business, and so on were delegated to the enterprises. The commerce management committee no longer managed the enterprises directly, and it had no connection with the enterprises in economic and financial aspects. In this way, the administrative powers of the commercial enterprises were extended and the work of the city government in regard to commercial policy, operations laws and regulations, information communication, and other areas was strengthened. At the end of last year, on the basis of investigation and studies, it was decided that many second class companies in our city should be reformed. On the one hand, we demanded that these companies change their administrative nature and gradually become enterprises, with some of them closing down or merging with other units. On the other hand, the enterprises were allowed to join voluntarily, withdraw voluntarily, and combine at their own will. They could "join another enterprise" and they could look for a "partner" for themselves. This task is still in progress, and it has been generally welcomed by the enterprises.

Second, adopt the "contract" system in the city and reform the distribution system in the enterprises. The socialist principle for the distribution of consumer goods is distribution according to labor. However, this principle was not properly implemented in the past, and the phenomenon of people who did a lot of work and people who did little work all "eating from the same big pot" was very serious. By adopting the "contract" system in the city and in the enterprises and by setting up a responsibility system for integrating responsibility, authority, and profits, it would be possible to better implement the principle of distribution according to labor and to solve the problem of some people taking the fruits of the labor of others in exchange for nothing, and to effectively mobilize the enthusiasm of the broad masses of staff. On the basis of the pilot schemes of 1983, our city implemented various contract and responsibility systems last year. Initial statistics have shown that over 60 varieties of these systems were adopted, including contract for special items concerning product design, technological reform, quality, cost, sales, elimination of losses, increased profits, and more. There was also full-scale contracting on many levels, as well as new forms like collective enterprises undertaking tasks for state-owned enterprises and individuals hiring collective enterprises. The contract and responsibility system was first implemented in small enterprises and enterprises ridden with difficulties. Now it has been gradually extended to the

fronts of industry and communications, city construction, finance and trade, and even science and technology. Presently, 60 percent of the enterprises in industry and communications are practicing the contract and responsibility system. Based on the results of the implementation, no matter what form of the system has been adopted, the effect has usually been "good, immediate, and obvious." The city's second light industry bureau has adopted the contract and responsibility system in regard to the elimination of losses and improvement of profits, and now a number of enterprises previously that suffered losses for a very long time have recovered and found new life.

Sixty-five enterprises of the city's first light industry bureau, in trying to solve the problem of an excessive accumulation of products, adopted a contract and responsibility system in sales in May last year. Since doing so, the average monthly sales volume has increased by over 10 percent. Previously, items with poor sales, such as wristwatches, toothpaste, soap, and gourmet powder have also begun to obtain the excellent situation of having a sales volume greater than production. The adoption of the "contract" and responsibility system in the city has not only invigorated some small-scale and problem-ridden enterprises, but has also provided a challenge for and had an impact on medium and large-scale enterprises and enterprises with a basically good situation. Many medium and large-scale enterprises are also eager to try this system, and some large-scale enterprises have already obtained benefits after adopting this system for a trial period. A large number of facts have shown that the adoption of the "contract" and responsibility system in the city and in the enterprises is the best remedy for laziness, and poverty and a sure way to becoming rich.

With the implementation of the system of "contracts" and responsibility, the present wage system has also been reformed. Last year we selected a small number of enterprises in which to try various wage reforms. These included "direct linking of total profits, tax paid, and wages," "cost controls," "progressive pay rates per item," "distributing a proportion of profits after deducting costs," and other reforms. According to investigation of wage reform pilot schemes carried out in 44 enterprises in our city, after implementing wage reforms, profits for the year increased 26.2 percent over the previous year, and the total amount of wages increased by 13 percent. In all cases, the increase in the absolute value of total wages is lower than the increase in the absolute value of profits. This is in line with the interests of the state, the collective, and the individual. In the course of wage reforms, we have changed from the old concept of considering people engaged in mental labor and complicated labor involving science and technology and management as second or third line personnel with regard to distribution. We have changed the situation in some units where the pay for mental labor was previously low. The enterprises have stressed knowledge and the attitude of favoring an acquisition of expertise has grown stronger. This has contributed to the improvement of the quality of the enterprises.

Third, give play to the regulatory role of the economic levers and manage the enterprises by taking an economic approach. Management solely by

administrative means will stifle the vitality of the enterprises. To give play to the regulatory role of economic levers in order to invigorate the enterprises is an important issue in the overall reform. The departments of taxation, finance, labor, industry, commerce, and pricing in our city have been undergoing reforms since last year. They have demonstrated enthusiasm and creativity. The departments that are adaptable have boldly made adaptations, those that need relaxation have boldly relaxed, those that need tighter controls have exercised tighter control, and those that need reform have boldly carried out reform. In the past few months, these enterprises have been paying close attention to the production of key products; doing a good job in the collective, the rural and the town enterprises; and adopting a series of long-term measures for "storing up water to breed fish" in promoting technological innovation. According to the conventional estimates, the city's revenue last year should have been reduced by tens of millions of yuan. However, the actual revenue showed an increase of 100 million yuan over that of the previous year. We deeply feel that the economic integration departments have learned the management technique whereby "we must give before we take." This is an encouraging sign in the cause of major changes in the guiding ideology of economic management. The foolish act of "killing the hen to get the eggs" and "draining the pond to get all the fish" is harmful to both the enterprises and the state. "Only by breeding the hens to lay eggs" and "storing up water to breed fish" can we invigorate the enterprises and achieve economic prosperity.

Fourth, reform the leadership system of the enterprises and implement the factory director responsibility system. Since last April we have been carrying out a pilot project in 42 selected enterprises to test the factory director responsibility system in the light of the reform of the system of personnel management of cadres. The results have been quite favorable. The selected enterprises have initially abolished such malpractices as a lack of distinction between the party and the administration, a lack of defined responsibilities, multiple leadership, a separation of duties from rights, noninvolvement of the personnel department in the daily routine work and vice versa, decisionmakers shirking off responsibility, and staff who cannot make decisions shouldering the responsibility. After the establishment of a united, strong, and efficient production headquarters and a sound management system, a new phenomenon characterized by "free communication of administrative orders, heightened efficiency, separation between the party and the administration, strengthened ideological work, factory directors relying on workers, and workers becoming masters of the enterprises" has emerged in most of the selected units which took part in the pilot project.

In 1985 we will regard the reform in the leadership of the enterprises and the implementation of the factory director (manager) responsibility system as an important link in developing a new situation of the integrated reform throughout the city, and will demand that all eligible enterprises extensively carry out the reform.

## PARTY BUILDING IN THE RURAL AREAS MUST BE SUITED TO THE NEW SITUATION

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 24-27

[Article by Cui Guangzu [1508 0342 4371]]

[Text] Editor's note: Improving party building in the rural areas so as to suit the new situation in economic development represents one of the questions rural workers are now probing. We hope that the following investigation from Gaoping County in Shanxi Province might be of some interest and reference.

In view of the constant new developments in rural commodity production, how is it possible to improve grassroot party organization building in the countryside? With this question in mind I went to Gaoping County and carried out an investigation.

Gaoping County is situated to the south of Taixing Shan. The area is rich in coal and iron deposits and the region is intersected north to south by the Taiyuan-Jiaozu railway line and thus the area is favorably situated in terms of both natural resources and communications and transportation. However during the 10 years of internal chaos, this region became famous as a major area of conflict. By 1978 the average revenue of the peasants in this county was only 72 yuan while the average per capita grain ration was only 300 jin. After the 3d Plenary Session of the 11th CPC Central Committee, enormous changes took place here. In 1983 the average per capita revenue for the entire county was 275 yuan and in 1984 it had reached 450 yuan. When I and comrades from the local county party committee were researching the county's experiences of the last few years, they constantly maintained that one of the most important of these experiences had been the need to come firmly to grips with party building, to improve the education of party members, and to fully exploit that fighting stronghold, the rural grassroots party organizations, as well as model party members, when implementing principles and policies of the party Central Committee.

Their understanding of coming to grips with the building of the party's rural grassroots was also a process of development. As the production responsibility system was implemented and commodity production developed, one situation caught the attention of the county party committee, namely

that among those peasants who were getting rich, there were very few party members and even fewer party cadres. The area had for 20 years carried the label of being "advanced" and in the past the people had felt proud that they as peasants received "3 jin of oil, 10 jin of noodles and 500 jin of grain rations, all for 1 dollar" (1 dollar meaning the value of 1 day's work points). After the 3d Plenary Session of the 11th CPC Central Committee the members of this branch of the party had very unemancipated thinking and they were unable to draw a clear line between commodity production and capitalism. They preferred that everyone remain at the level of that time and they did not dare allow some people to get rich first. As a result the county which used to be "advanced" developed into a group of backward peasants. Some rural party sections dared to take the lead in getting the masses to get rich and whereas before they had been poorer than the others, very quickly they overtook them. This situation forced the county party committee to think seriously about quickly developing rural productive forces and hence the necessity of coming to grips with the organizational building of the party at the grassroots. Man represents the most vital factor within the productive forces and in order to develop the productive forces one must emancipate man's thinking and this means emancipating the thinking of the masses. This primarily requires the strengthening of the education of party members and the full use of the role of party organizations at the grassroots. As a result the county party committee made the resounding call to "come to grips with 13,000 (party members) and spur on 400,000 (masses)" and thereupon quickly organized a county conference for the exchange of views and experiences in rural party education, as well as a rural party member and cadre training conference. At the same time it made great improvements to the material used in educating county committee party members, while each village set up guidance groups and the party branch stipulated various party lectures and teachers. The county party committee also set up a new party school and thus organized training courses for the 13,000 party members in the county.

As rural changes spread and the work of educating party members improved, the thinking of rural party members was emancipated and they boldly carried out commodity production, urging the setting up of specialized division of labor in the villages and diversified economic combines. In the spring of 1984, of the 9,000 or so rural party members throughout the county, some 4,600 had left the land. Some of them were involved in industry, some in side-production, others in commerce, and yet others in transportation. Others had gone to small market towns to get involved in new economic combines while others had left their county far behind and were involved in marketing and construction contracts. Under the mobilization of party members a new vitality emerged in the villages throughout the county.

These new changes also brought with them new problems. Party members caught up in the mighty torrent of commodity production were sometimes swept tens of kilometers, hundreds of kilometers, even thousands of kilometers away. How then was the party organization to maintain links with these party members and continue teaching and educating them? The party organization in Fenghe village provided some new experiences. This village had a total of 25 party members of whom 8 organized themselves together with some peasants

to set up a factory producing fire-resistant materials, a brick factory, a machine repair shop, and so on, in all, five different undertakings and in this way the peasants were transformed into workers. Three party members from the village went to small market towns and set up a commercial enterprise. Six party members left the region to run contractual operations, while four party members entered the field of commodity circulation and marketing personnel. In view of these changes they carried out some bold experiments in improving the structure and teaching style of the party organization. All those who left the land but not the county set up small party groups according to their line of business. Those who left the area and went to small market towns set up small party groups within their new economic combines. Those who were working with the entire country, collectives, or other villages were allowed to transfer their party links to the party branch in their new setups and accept the leadership and education of the party organization in their area while also regularly reporting back to the original party branch. Individuals who left the area and traveled to various different areas had the double task of both studying and marketing or receiving market information while on their travels and after their return they had to report back on both topics.

The county party committee quickly assessed the experiences of this village and thus drew up the following decisions concerning the setup and forms of teaching in rural party organizations at the grassroots: 1) Specialized groups and economic combines in villages may set up party branches or small groups depending on their scale and the numbers of party members involved. Economic combines which extend outside the brigade, the commune, or the county, may set up party branches or small party groups and the party members involved in the combine may transfer the party links to the combine branch. 2) Small village party groups may be set up in line with the specialized division of work or they may be set up according to living conditions. 3) Party members involved in long-term contracts outside the county may, when their numbers exceed three, set up a party branch, or they may set up a small party group. 4) As far as party members involved in diversified activities are concerned, in addition to their task of regularly reporting back, a "party member card" has been developed and these members may get in contact with party organizations outside their area by using this card. Then the party branch of that area will make a report on the party member's situation and activities and this will be returned to his or her original party branch for inspection. 5) Party members who regularly leave the area must make regular written reports of their thinking and their work. Thereafter, depending on the decisions and demands of the party branch, these party members must return every 6 months or every year to take part in party member criticism and ideological consolidation activities. In this way party branches and small party groups are set up in the front lines of commodity production and party ideological and political work is absorbed into every aspect of economic work, thus effectively exploiting the role of the party organization and party members. In the Yangquan contract team, based in Lujia village in Yechuan area, there are five party members from three different party branches and thus they are unable to form a leadership nucleus. After the contract group established a small party group the five Communist Party members actively made use of the role of the pioneer

model. They made conscious efforts to examine quality so that their undertakings proceeded faster, quality was higher, and they gained greater credibility, thus they became known by the local party authorities and the masses as the "trustworthy and reliable" contracting team.

As far as party education was concerned, a new situation also developed. At the end of 1983 the county committee carried out investigations in Longgun village. There were a total of 28 party members in this village and of these some 22 had gone into commodity production. While their enthusiasm was irreproachable, they did not actually understand the rules and laws of commodity production, nor did they understand new areas of science and technology and hence their economic results were not ideal. In 1983 their average revenue only made up 42 percent of the total revenue of specialized households in the village. Hence in addition to basic understanding of the party and its lines, policies, and principles, the county committee added two new aspects to their education of rural party members.

1. They got party members to study knowledge of commodities and to grasp the rules and laws of commodity production. In Hougou village in Yechuan region there used to be an iron-casting foundry which annually made losses. In 1980 the vice secretary of the party branch, Comrade Zhao Wanshun, arranged for 12 people to undertake a contract on the foundry, with the intention of turning its losses into profits. However because of a lack of understanding of the rules of commodity production, they did all they could to come to grips with production but totally ignored circulation, market information, and technology. Thus they were unable to get rid of the 80 tons of cast iron that they produced in 1981 and their products became waste products and the only thing they could do was to close the factory and stop production. Later on in party lectures and education classes they came to understand the relationship between circulation and production and the relationship between human talent and steel products. Thus they invited a specialist from Shanghai to come and work on coming to grips with circulation, information, and technology. The result was not only that they quickly sold the cast iron which had previously been overstocked and unmarketable, immediately earning back some 50,000 yuan, in addition, they also tested a new cast iron chair. Last year they signed a contract with the Shanghai Steel Chair No 2 Factory to produce 100 tons of steel chairs and their profits grew enormously. Today this factory is able to contribute another 473 yuan annually to the village's per capita income. The villagers say happily: "The just work of one man means a fortune for the entire village."

2. Arranging for party members to study science and technology, helping them to understand the urgency of grasping science and technology in order to develop commodity production, encouraging them to pursue scientific knowledge and advanced technology and to concern themselves with new trends and developments in science and technology helps party members quickly break away from conservative and traditional methods of production and determinedly increase their knowledge, working hard to transform science and technology into productive forces. In the spring of 1984 the county committee concentrated on two main areas of work. One was to encourage compensated transfers of technology. They took scientific and technological

personnel as the backbone of this work and the Communist Party members and specialized household peasants as the two main targets and thus held 107 scientific and technological training classes, with total enrollment being 57,000, of whom one-third were Communist Party members. Later on they took on the role of passing on what they had learned to the mass of peasants and this effectively promoted the development of commodity production. The second thing they worked on was the raising of 100,000 yuan in funds and the launching of some 50 different scientific research competitions and various other activities throughout the county. Anyone who won one of these competitions or anyone who was able to fill a gap in industrial and agricultural production in the county, won a prize of between 100 and 500 yuan. These activities broke down the former methods of only relying on administrative means to promote science and technology and the events were enormously attractive to the peasants, with over 3,000 joining in the competitions, of whom over one-half were party members.

Because this county quickly came to grips with party ideology building and organization building on the basis of the changing trends in its villages, many party members became activists in developing commodity production.

Former branch secretary of Jiantou village, Shao Hongyun, was famous during the time of learning from Dazhai as a "pathbreaker in cutting off the tail of capitalism." He turned one brigade which was favored with very good conditions into a so-called "three evens brigade" (even less grain, even more debts, even more responsibility) and thus he was little respected among the people. In 1982 he changed his thinking and led the people to get rich. He organized some 24 peasants and set up the county's first peasant trade warehouse, thus setting up channels of production, supply, and marketing for the village and providing outstanding pre- and post-production social services for the two kinds of specialized households. Two years ago they purchased 460,000 jin of maize and processed and marketed some 970,000 jin of flour. In addition they also carried out repairs for the peasants and produced all kinds of small machinery and some 1,500 farm tools and the total value of their sales reached 403,000 yuan with actual profits of 31,000 yuan and thus they became known to the masses as the "friendly warehouse" and the "oil on troubled waters warehouse."

The party secretary of Fengzhuang village, Wang Baocai, merely remained on the sidelines when the implementation of the production responsibility system began, but later on he was awakened by the torrents of development in commodity production. In March 1984 he went to Guangzhou and purchased 25 tons of cloth oddments. He then invited a clothes designer from outside the area to come and process the cloth oddments to make children's clothing, thus producing good quality products at cheap prices. Today most of the families in the village are involved in processing and this project alone has increased the per capita annual income of the village of 2,024 people, by 240 yuan.

After some peasants have got rich first should they be encouraged to expand their scale of management and get even richer? The mass of party members have supplied a clear answer to this question, taking as a yardstick the

overall tasks, aims, and ultimate objectives of the Communist Party. They say that the numbers of those involved in such management are not large and the scale of their management is not great, thus we should not limit their scale of management nor should we place a ceiling on their income. In Changjiagou in Yechuan region there is a peasant called Chang Musen whose thinking is good and who is adept at management. In 1983 he set up an iron foundry and in 5 months of operation had an income of some 50,000 yuan. In 1984, with the support of all levels of the party organization, he expanded the scale of his foundry by five-fold and total revenue then reached 450,000 yuan. The number of people who held shares in the business or were involved in mining and transportation totaled 250 and today the foundry is continuing to expand. With his spirit and ideals this man won great support from the party organization and party cadres.

At the same time all party members who have got rich first have adopted the system of "party members taking care of households" in the case of any households in difficulty. A 62-year-old commune member, Hu Erwang, of Jiezhuang village had a deformed leg but was a skilled weaver. The secretary of the party branch, Wei Meihua, left the region to buy some 6,000 jin of twigs for him so that he might use it in his weaving. The secretary then helped him to sell the finished products and last year he earned some 2,000 yuan from his woven mats. Hu Erwang said happily this is really a case of sitting at home and making money from one's hands.

In their role as leaders in the development of commodity production, Communist Party members have created very close ties between the party and the masses and this has greatly elevated the image of the party. A few years ago some people used to say "villages look to villages, households look to households, and the peasants look to the specialized households." Today people have added another sentence: "Specialized households are looked to by the party branch committee."

Today the historical changes in the rural areas of China are continuing to develop and intensify and commodity production is developing fast. This historic progress has brought with it many new topics for party building. Gaoping County Committee has not asked for help from higher authorities, rather it has set out from reality and quickly come to grips with organization building at the grassroots, and not only has it probed new ideas in organizational form, teaching content, and teaching methods, it has also made great steps in developing new party members. Over the last 2 years they have added another 363 party members to their ranks in the villages, of whom some 261 are young educated people and people from the "two households," thus making up 72 percent of the total. This has brought major changes to the education structure of the party membership. When I went to carry out my investigations in Gaoping County I came to understand even better that in order to come to grips with economic construction, one must get to grips with party building.

## RED FLAG HOLDS SYMPOSIUM OF 'NEW CHATS' COLUMNISTS

Beijing RED FLAG in Chinese No 5, 1 Mar 85 p 27

[Article by Xiao Shen [1420 3088]]

[Text] On 13 February this year RED FLAG magazine held a symposium of "New Chats" columnists duly attended by those columnists in Beijing. Comrade Xiong Fu, editor in chief of RED FLAG, and Comrade Ma Zhongyang attended the symposium.

The symposium sessions were chaired by Comrade Xiong Fu. He said that the "New Chats" column carries short, concise, and lively political commentaries which integrate ideology with art and literature. The articles are closely linked with reality and attempt to provide some answers to questions relating to cadre and party member ideology. The column, which has appeared in the last several issues, has been warmly welcomed by readers. The reason for having invited everyone here today is mainly so that we can exchange some ideas and views and thus try to make "New Chats" even better.

The comrades taking part in the symposium believed that such an event was a very good idea. RED FLAG magazine's publication of this specialized "New Chats" column represents a valuable pilot scheme in the work of changing the forms of propagation and dissemination. This meeting will allow the readers to feel even more involved.

Some younger writers said that previously they had not dare to write articles for RED FLAG magazine, and that holding such an event as this will encourage the young writers and help eliminate misgivings.

Everyone present at the symposium believed that articles in the "New Chats" column must without fail be linked with reality. Furthermore, the articles must be of an ideological nature and must have a specific direction. Specific theoretical attitudes should be adopted.

Finally Comrade Xiong Fu made a concluding speech. He said that the opinions and ideas voiced by everyone at the symposium could be summarized in the following four ideas: Articles in the "New Chats" column should 1) be directed; 2) be of an ideological nature and have a specific theoretical stance; 3) should display the nature of struggle and should have clear

standards and boundaries for right and wrong and be able to expose the true nature of things; and 4) should be literary and artistic with the emphasis on a style which draws frequently on imagery so as to stimulate people. Comrade Xiong Fu particularly underlined the fact that the subject matter in articles for the "New Chats" column had no limit and that style would be respected. We must concern ourselves with two things only--maintaining political unity with the central authorities and closely linking things with reality.

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## LEADERS AND STRATEGIC FORESIGHT

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 28-31

[Article by Wang Xingguo [3769 5281 0948]]

[Text] Since the 12th National CPC Congress defined the strategic objectives, strategic priorities, and strategic steps for our socialist modernization, the problem of strategy has in practice been elevated to an ever more important position. Strategic foresight, strategic decisionmaking, strategic planning, and so forth have become a common topic of talk. With the reform of party and government leadership organs at various levels, a large number of comrades measuring up to modernization requirements for cadres have filled leadership posts at various levels, giving rise to a new situation that marks the work of many departments on various fronts. However, we have sometimes also noted that certain leadership cadres keep busy all day long, lost in routine affairs, but end up with no or scanty results in all their pains. This is a manifestation of leader's lack of strategic foresight.

Why is strategic foresight important for a leader? This is inseparable from the importance of strategy itself. The so-called military "science of strategy" calls for the study of the law of directing military operations--a law bearing on the whole situation. Such is the case with military work. The same is true of work in other fields. No piece of work has nothing in it bearing on the whole situation. In handling any piece of work well, we must study and grasp its guiding law bearing on the whole situation. So-called strategic foresight calls for a widened horizon and a capacity for looking at the whole situation and making overall arrangements. It also calls for being good at grasping and applying those objective laws bearing on the whole situation in guiding work related to the whole and its parts. A responsible comrade at the central level said: We must "discuss important matters, get acquainted with the whole situation and take care of our own trade." This means that our leaders at various levels must have strategic foresight and handle our own department's work well.

On the war situation as a whole, Comrade Mao Zedong pointed out: "Any war situation which acquires a comprehensive consideration of its various aspects and stages forms a war situation as a whole." ("Selected Works of Mao Zedong," Vol 1, p 159) This conclusion shows that the so-called whole situation or problem of strategy includes elements of space and time.

As far as space is concerned, the whole situation covers its various parts and various aspects. In this sense, to be armed with strategic foresight is to firmly foster the concept of the whole situation and be good at correctly handling the relations between the parts and the whole. The whole (or the whole situation) is made up of parts (or local situations). But the whole is not the mechanical sum of its various parts. Numerous cases show that the action of the whole often surpasses the mechanical sum of the action of its various parts. Marx pointed out: "The strength of attack of a cavalry company or the strength of resistance of an infantry regiment is fundamentally different from the sum of the strength of attack of scattered individual cavalymen or the sum of the strength of resistance of scattered individual infantrymen." ("Collected Works of Marx and Engels," Vol 23, p 362) The materialist-dialectic law of quantitative change and qualitative change shows that not only a quantitative change at a certain stage can give rise to a qualitative change but also elements of an equal amount combined in different ways can similarly lead to a qualitative change. This is a result of different actions from different structures.

The whole naturally cannot exist in abstract in isolation from its various component parts. Similarly, parts cannot exist in isolation from the whole. Once different parts form into a whole through a given structural combination, they are no longer something existing in isolation but are organically linked to the whole. They act not only in the form of parts but also in the form of the whole. Therefore, they must not only submit to certain laws of operation peculiar to themselves but also at the same time submit to the general laws of operation governing the whole. Take our national economy as a whole for example. It is composed of different economic sectors, each sector comprising a large number of enterprises. In relation to an economic sector, an enterprise is a part. In relation to the national economy as a whole, an economic sector is also a part. A leader of an economic sector or an enterprise must first take good care of work related to his own trade and his own job. To this end, he must be good at grasping and applying the laws peculiar to a given department or enterprise. He must also know the overall needs of the whole national economy and its fundamental laws. If he does not understand these, he can hardly have strategic foresight and cannot do a good job in connection with his own trade and his own post. For example, quadrupling the total national industrial and agricultural output value by 2000 is the main goal of various fronts and various departments throughout the nation. Only by having a clear idea of this main goal and knowing our own position and our proper duties in the process of realizing this main goal can we correctly handle the relations between the parts and the whole. And only in this way can we have a correct direction and have the drive to push ahead. Conversely, if we forget about this main goal, only pay attention to the partial interests of a given unit or department and go our own way, then that would not only cause our own enterprise to drift away from the overall strategic goal but also interfere with and even disrupt the effort to realize the overall goal. We must understand that to take the whole situation and the overall interests into consideration and put the needs of the whole first is fundamentally to serve the development of the local situation and the part.

As far as time is concerned, the so-called whole covers the whole process of the development of things and its different stages of development. The development of anything has a past, present, and future. The problem of relations between the present and the future and between immediate and long-term interests is often encountered by people in practice. How to properly handle their relations is also a major problem bearing on the whole situation. Therefore, so-called strategic foresight, in terms of time, is an ability to make scientific forecasts on the basis of correctly grasping the present, or an ability through analyzing present conditions to take a broad and long-term view, grasp future trends of development, and take one step only to learn what the next step or even the steps farther ahead should be. However, to achieve this is no simple thing. It often happens that when we reckon with the present, we forget about the future. Or when we think of the first and second steps, we do not take the third step into consideration. Therefore, things turn out contrary to our expectations. Touching on people's battle with nature throughout history, Engels pointed out: "We must not be carried away by our victory over nature. Every such victory means nature will take its revenge on us. With every victory, we have actually achieved the expected results of our first step, but the second and third steps would have entirely different and unexpected effects that often undo the original results." ("Selected Works of Marx and Engels," Vol 3, p 517) This situation often happened in the past when science was in an undeveloped state. Even with today's scientific advances this can hardly be avoided. But we can do all in our power to take all factors into consideration and strive for fewer mistakes. The cause of this phenomenon, apart from objective factors, also often has to do with erroneous subjective guidance. For example, under the guidance of "leftist" thinking, we did many such foolish things in socialist construction. Since the 3d Plenary Session of the 11th CPC Central Committee, the party Central Committee has worked out a series of farsighted strategic decisions. Meanwhile, it has also repeatedly told us: "We must resolutely overcome that shortsighted idea of not looking at problems from a long-term point of view." ("Selected Works of Deng Xiaoping," p 286) This shows that the CPC Central Committee, operating from a strategically advantageous position and planning with great prudence, is guiding the people throughout the country to bravely forge ahead along the road of socialist modernization. Here we can see that so-called strategic foresight, while involving the need to firmly foster a conception of the whole, also calls for looking at problems from a long-term point of view. This is also to say that we must look at problems from the viewpoint of motion and development.

The boundary between the whole and the parts is in no way absolute and fixed and is instead relative and flexible. What seems a part in a given situation can in another situation look like a whole. Therefore, a unit or department must at the same time properly handle the relations in regard to two aspects. One aspect involves a part of the whole. It should correctly handle the relations between the part and the whole and work in harmony with the development and the interests of the whole. Another aspect involves a certain unit or department itself as the whole. It itself is also a whole. It involves not only the relations between the parts and the whole but also the relations between immediate and long-term interests. For a unit or

department, these problems are strategic ones which also bear on the whole situation. From this, it can be seen that no matter what the angle from which things are viewed and no matter what the level of a leader, he always runs into, and also needs to handle, various problems of strategic significance. The view that a given unit is small and has no strategic significance is not realistic. It is also not right to use a tight daily work schedule as an excuse not to find time for studying and handling strategic problems. Strategic problems exist objectively and cannot be avoided. The problem lies in whether people consciously understand and handle them or passively cope with them. This is where a leader demonstrates the level of foresight which he possesses and also shows the level of achievements in his work performance. Therefore strategic problems can never be treated lightly.

Since a leader's strategic foresight is that important, then how can we cultivate strategic foresight? There are of course many ways. For example, we must seriously study the party's line and general and specific policies. This is because the party's line and general and specific policies represent a high degree of unity between theory and reality. They reflect the needs of the whole and also partial and local interests. They not only agree with present needs but also take long-term developments and future trends into consideration. After understanding these, we can have a guide in handling the relations between the parts and the whole. We can at least avoid making mistakes where certain major problems of principle are concerned. Also, we must pay attention to overcoming individualism and departmentalism. These things are stumbling blocks to our correctly handling the relations between the parts and the whole. To cultivate strategic foresight, we must, apart from the above two aspects, pay attention to the following two problems. One is the problem of methods and the other the problem of courage and resourcefulness.

We can often note a situation like this: Some comrades are serious in the study of the party's line and general and specific policies and also attentive to the need of overcoming individualism and departmentalism. But they still do not show keen strategic foresight. In the units under their leadership, a new breakthrough has yet to be achieved in work. The underlying causes have mostly to do with their simple methods of doing things or lack of proper methods. Therefore, we should learn and grasp the methods for mastering strategy.

First, we must learn things about science in the abstract. On how to understand the war situation as a whole, Comrade Mao Zedong said: "If we want to learn the laws guiding the war situation as a whole, we must do some thinking. This is because that which bears on the whole situation cannot be seen from the eye and can only be understood through thought. Without exerting ourselves mentally, we can understand nothing. But the whole is made up of parts. If those people with experience related to the part and with experience in battle tactics care to do some thinking, they will understand those more advanced things." ("Selected Works of Mao Zedong," Vol 1, p 161) This passage by Comrade Mao Zedong has thrown light on two points. One is that unlike concrete things or concrete problems, problems relating to the whole and to strategy are more universal and relatively abstract in nature.

So we cannot rely on the senses for direct perception. Instead, we must make ourselves think and use thought to get hold of them. The other point is that given universality in the peculiar, the abstract in the concrete, and the whole in the parts, people can entirely understand and grasp these relatively advanced things, so long as they grasp a wealth of concrete data and know how to think hard. It is quite clear that in any kind of work, only people with the capacity for viewing science in abstract terms and the art of linking the part with the whole and discovering the general and the universal in the individual and the peculiar can understand and grasp the essence of things and have strategic foresight.

Second, we must make a concrete analysis of concrete problems. The relationship between the whole and the parts exists universally. But given differences in time, location, and conditions, not only a different whole has different problems bearing on the whole but also the same whole in different periods often has different problems bearing on the whole. Therefore, if people just understand the general principles concerning the whole and the parts and fail to make a concrete analysis of concrete problems in light of the different conditions of different wholes, they similarly will not be able to grasp the problems bearing on the whole. Therefore, Comrade Mao Zedong said that those problems having strategic significance to the whole situation "cannot be defined on the basis of general or abstract conditions and must be defined in light of concrete conditions." ("Selected Works of Mao Zedong," Vol 1, p 160) To achieve this end, apart from understanding the principle of making a concrete analysis of concrete problems, we must also have concrete scientific knowledge relevant to given problems. For example, without knowing anything about socialist economic construction and having no modern scientific and technical knowledge, how can we make a concrete analysis of the national economy as a whole?

In sum, where methods are concerned, we must be good at properly linking the study of the whole with the study of the parts and the study of the general with the study of the particular. Just as Comrade Hu Yaobang said: "Our cause is an integral whole with unified objectives of struggle. Ours is also a vast country with varying conditions. This requires us to closely link study and a thorough understanding of the whole situation with study and a thorough understanding of the local situation. Failure to consider the overall situation and disregarding unity in guiding the parts would involve us with the mistake of blindly doing things in a departure from the whole. Negating a local situation and lightly treating particulars in guiding the whole would involve us with the mistake of making subjective judgments in a departure from reality." ("A Speech at a General Meeting in Celebration of the 60th Anniversary of the Founding of the CPC")

The so-called courage and resourcefulness mean pep, determination, guts, and insight. Of course, methods of doing things often go with courage and resourcefulness. As a saying goes: "With consummate skills, a person tends to be bold." Only after people correctly understand objective laws and also have at their fingertips a wealth of knowledge and effective skills can they stand on a high plane and look far ahead. And only in this way can they have determination and pep to embark upon certain arduous tasks. But

methods and courage and resourcefulness after all represent a thing. In a certain sense, courage and resourcefulness can often directly reflect a person's spiritual outlook, his way of thinking, and even his philosophy of life and world view. In real life we can see that any leader who is allergic, overtimid, and conservative-minded can hardly have strategic foresight. The reason is very simple. If we do not have great revolutionary pep, we cannot control the whole situation and direct things as a whole. Nor can we create a new situation. Without a strong go-getting spirit and a tough fighting will, we also cannot overcome multiple obstacles in our advance. On the contrary, we may succumb to difficulties. Without a proletarian spirit of selflessness, we cannot take the whole situation into consideration, know things as a whole, and correctly handle the relations between the parts and the whole. Without having firm faith in communism, we cannot take care of the present, think far ahead and correctly handle the relations between immediate and long-term interests. All these fully show that there are inevitable internal ties between a leader's revolutionary courage and resourcefulness and his strategic foresight. Strengthening a proletarian's revolutionary courage and resourcefulness is an inevitable part of the effort to cultivate strategic foresight in a leader.

At present, the urban economic reform and the reforms on other fronts are in their initial stages. Reform calls for talent. This also means that we must have pioneers of courage and strategic foresight. We are confident that given the CPC Central Committee's correct leadership, a large number of Red and expert skilled personnel with strategic foresight can surely come to the fore with the deepening of the reform, thus stimulating reform and the development of socialist modernization.

CSO: 4004/21

## NEW SITUATION, NEW TASKS--DISCUSSING THE 'FOUR MODERNIZATIONS' AND LITERATURE

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 32-33

[Article by Wang Meng [3769 5636]]

[Text] Carrying out the "four modernizations" with one heart and one mind and thus enabling our country to become prosperous and our people to become rich as soon as possible is a fundamental guiding thought for our party at present and is also the objective demand of the development of history and the urgent desire of the people all over our country. Undoubtedly, this is precisely the undertaking that the vast number of our writers and literature workers are presently pursuing day and night and are ready to make the greatest contribution to.

There is wide scope for literature to contribute to the "four modernizations." Of course, here, we first think about the timely and enthusiastic reflection of the magnificent "four modernization" efforts and the economic structural reform in our works of literature. There have already been an increasingly large number of writers and works that have contributed their efforts for this purpose. These writers have plunged into the torrent of construction and reforms, depicted vivid images of the pioneers and reformers who are blazing trails for the socialist undertaking, disclosed various kinds of contradictions and conflicts in this historical process, castigated decaying forces that hinder the development of history and inspired readers with their positive and warm emotion and sober and self-confident spirit. Some people call these works "reform literature." As long as we do not comprehend this term in an excessively simple and superficial manner, this kind of "reform literature" is of course precisely what the people and our times want. We can expect that, as time goes by, there will be more of these "reform literature" works which will be more mature, profound, and superb.

It is taking too narrow a view to think that the contribution of literature to the "four modernizations" is nothing but works on the theme of reform. After all, literature differs from news reporting, its advantages and functions lie mainly in its inspirational effect on the minds of the people and its subtle influence on people's feelings, characters, and interests. The "four modernizations" raise a demand for new people and are molding new people. Reform itself consists of putting an end to the various kinds of thoughts, concepts, and moods that do not conform to the new situation.

Those who are able to achieve the "four modernizations" and the great goal of the reform are by no means the people who stick to conventions, and who are complacent, conservative, and ossified in their thinking, or who are short-sighted, follow trends blindly and whose minds are permeated with the ideology of small producers, or those who are captives of erosive capitalist thoughts and poisonous remnant feudalism. The "four modernizations" and reform require people to have an even higher political and ideological level, better cultural and scientific knowledge, a broader range of knowledge and ability, loftier imagination, creativeness, an aspiration to take the initiative and the courage to break fixed patterns. They also demand the emergence of people who have deeper foresight, who are really able to face the needs of modernization, the world, and the future, and who are at the same time people of action, highly practical, and professionally competent. Without such mental features and without such a new generation of people, it is unimaginable for us to achieve the success of the magnificent cause of the "four modernizations."

The force of literature lies in its ability to move people and shock, encourage, and console people's souls. A fine work of literature is a spark of the spirit of the people and a crystal of their wisdom and enthusiasm. Conversely, it has a great influence on people's mental features, range of knowledge and ability and lifestyle. This influence can be direct or indirect. For example, a novel on a theme of reforms in industries can provide reference and enlighten the readers in many ways through depicting images of reformers and of the process of reforms and construction. As a result, the characters in a novel may "live" in real life, and people will say "this is the factory director we need" or "we do not need such a manager." Of course, such works obviously play a role in our "four modernization" efforts.

However, in many circumstances, it is through another channel that literature exerts its influence. For example, fairy tales. To date, we have no fairy tales about the "four modernizations" or the "structural reform." That is not where the advantages of fairy tales lie. Fairy tales can to a great extent develop people's imagination and aesthetic ability and a good fairy tale often reveals a kind of outstanding wisdom and enthusiasm and a fresh understanding about all things in the universe, or a "feeling about fresh things" if we use a phrase much in vogue in the 1950's. A good fairy tale is indeed an amazing literature creation by the human mind. Those who are fighting at their posts for the "four modernizations" need such things as described above very much. They are of great significance for the all-round development and healthy growth of the youngsters of our times--the pillars for our undertakings of the "four modernizations" in the future. This means that when we have a larger number of this category of workers, they will not necessarily play a very direct and clear role in the "four modernizations," and they will not necessarily give rise to a sensation in the society, but they will be conducive to improving the readers' wisdom and ability and heightening their aspiration, facilitate training new-type builders and creators for the socialist modernization undertaking and play a profound, lasting, and irreplaceable role.

In adapting to the development of the situation of the "four modernizations" and meeting its demand, our literature has another major task of satisfying a variety of the daily increasing spiritual needs of the people. The stability and unity in our political situation, the gradually improving material conditions and the opening up to the external world in our economic policies have greatly widened the people's field of vision and raised their educational level. These new factors of our new period make a higher-grade, more diversified and richer cultural life increasingly necessary and possible, in particular, aesthetic and recreational activities. The cultural lives of some cadres will no longer be limited to playing poker and punishing the losers by forcing them to crawl under the table. The cultural activities of our peasants have gone beyond the scope of traditional Spring Festival activities. Our people have raised a demand on our literature for products with greater aesthetic and recreational value. Here, we should stress that no improvement of material life nor perfection of the process of material production can entirely dispense with the realization of aesthetic principles. People's production and life are not only a consequence of their instincts, but are also kinds of cultural activities. The progress in our production and life implies and demands a well-off living standard and at the same time implies and demands civilization. A man who is not civilized and who knows nothing about beauty is a foolish and ignorant man and it is difficult for a foolish and ignorant man to obtain a large amount of wealth. Even if a foolish and ignorant man has obtained a large amount of wealth, it does not mean happiness for the man himself or for the society and on the contrary mostly means disasters for him and for the society. In this sense, providing people with better literature and art products that can satisfy people's aesthetic demands and demands for recreation and relaxation is a major task that is vital to the image of our state and nation and to the long-term prospect of our "four modernizations."

Like the phenomenon of popular songs becoming fashionable for some years in the past, during the past few years, "popular literature" has begun to "rise." Generally speaking, these are satisfactory phenomena. Of course, there are some bad works among them that are of low and vulgar taste and that advocate erosive capitalist thoughts and remnant poisonous feudalism, which we should seriously criticize by argument and reasoning. However, we should make analysis in criticizing them. Just as we have done with popular songs, we should conscientiously help guide and improve popular literature. In this process of helping guide and improve popular literature we should reject its dross and perfect the methods of administration over its publication. But we should not make such a fuss about its minor defects and thus completely negate it. At the same time, our party and state have the task of allocating labor and material resources to help develop the literature works that have relatively serious content and relatively superb forms. In developing our publishing industry, we should not merely pursue volume of publication, but should also be aware of the need to develop our literature and art undertaking to a higher level. As far as possible, our literature and art workers should make their works more attractive and readable and strive to make their works suit both refined and popular taste and thus reduce the disparity between "popular literature" and "serious literature." If we can manage to achieve this, we will surely be able to widely develop our

literature. Of course, on the basis of the new level of literature creation and reading ability, a new division between so-called "serious literature" and "popular literature" will emerge, but this will be a new problem.

The situation whereby we are conducting the "four modernizations" with one heart and one mind is an unprecedentedly fine situation. It provides a new possibility for the development of the undertaking of literature, and has also brought forth new tasks, problems and challenges. The Fourth Congress of the China Writers' Association that was recently convened marked the transition of the focus of our party's leadership over literature and art circles from regarding class struggle as the key to regarding the "four modernizations" as the core. The questions of how literature workers can make greater contributions to the "four modernizations" through effective work that conforms to the characteristics of art and of how they are to answer the questions that will crop up under the new situation are all worth our deep consideration and discussion and require our practice to provide new experiences.

CSO: 4004/21

LAUGHTER IS MORE DISTRESSING THAN CRYING--READING THE SHORT STORY 'THE VILLAGE SOUL'

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 34-35

[Review written on 6 February 1985 by Yan Gang [7051 4854]]

[Text] After reading peasant writer Qiao Dianyun's "The Village Soul" (first published in BENLIU No 8, 1984), I really wanted to cry unrestrainedly, to cry over the "village soul," the ridiculous soul which actually failed to be the "village soul."

Zhang Laoqi was an old peasant who kept his word and had a one-track mind. His obedience turned out to be blind obedience and he made a big fool of himself. He was righteous but stubborn, loyal but ignorant--he was blindly loyal!

The writer gives us an interesting depiction of Zhang Laoqi's stone cutting. To what size should the stones be cut? To the size of an egg or a walnut? Zhang Laoqi obeyed his superiors unconditionally. In an attempt to make himself a model for his fellow villagers, he cut the stones all into "thumb balls." His fingers became red and swollen and the back of his hands bled. However, the stones he cut were not found to be up to standard when checked. It was unjust for him to be suspected while being faithful and condemned while being loyal. His fellow villagers respected but teased him. They finally put him in the dark. He thought he was victorious. He thought he was the only honest man among his crafty fellow villagers and the only sober man among the intoxicated. At last, his life was taken away by the god of death and he was ridiculed by history.

He was ridiculed by history because he had been fooled by his "superior."

Is it wrong for you to "listen to your superiors"? What if your "superiors" are wrong? And what if you are fooled by your "superiors"? Zhang Laoqi, however, held that "it's better for me to be fooled by him than to fool him." This typical blind loyalty of his bred superstition. The cult of personality led to the disastrous "Cultural Revolution." One of the causes of the catastrophe was that there were too many blindly loyal peasants, workers, party members, and intellectuals. Zhang Laoqi was not the "village soul." He was candidly obedient. He did not pretend to be enthusiastic.

However, it was disheartening that Zhang Laoqi's stone cutting reminds me of Ah Q's circle drawing (Zhang Laoqi was certainly different from Ah Q). Ah Q drew the circle in a very serious manner. However, no matter how round the circle was, he was always betrayed.

Ah Q believed that once he was asked to draw a circle, he had to show that he could do it. Zhang Laoqi held that once he was required to cut stones, he had to cut them to a standard size. Ah Q was devoted to the "law of spiritual victory"; Zhang clung closely to his father's teachings on his deathbed: "As a man it is better for you to win a reputation of being fooled throughout your life than to win a bad name of fooling others throughout your life." You cannot fool others but can only be fooled. Obedience is everything. It is the ordinary people's bounden duty to obey their superiors. Obedience is of primary importance while other things are insignificant. No matter to what degree you are fooled (maybe even to the degree of blind loyalty), and no matter to what degree your obedience is (maybe even to the degree of blind obedience), you should be worthy of your "superiors" even at the expenses of the masses (Zhang Laoqi would rather sacrifice himself to repay the masses for what they have lost). We cannot see Ah Q's "revolutionary" spirit of "beating you with my whip" in Zhang Laoqi. "When a sovereign wants his subjects to die, his subjects dare not choose not to die." He obeyed his superior's orders irrespective of their nature, taking no heed of the fact that his fingers were swollen and that he grew thinner and thinner day after day. In this socialist society, people stood up and became masters of themselves. But the masters have turned out to be obedient and feudalistic servants. Under the leadership of the Communist Party, cadres are public servants. Is it fair and normal that cadres have become the "superiors" of the masses of people and fool them? "The Village Soul" is profound in raising questions and it has enlightened the benighted. All "superiors" of the masses should learn a lesson from this short story. They should respectfully take the public as people feeding them. They should never take themselves as "magistrates" riding roughshod over the people nor should they reverse the master-servant order. They should construct a socialist spiritual civilization and should resolutely drive out feudalism and wipe out ignorance.

Zhang Laoqi is a laughable but pitiable, contemptible but respectable character. He thought he was working honestly for the people. But, in fact, he cut himself off from the masses. With toil and labor he devoted himself to his "superior" who, in return, found him intolerable. Evil was returned for good. He finally became a victim of the phony revolution and pseudo-Marxism-Leninism. How horrible was the age of "once upon a time"! What we need in the era of the four modernizations are innovators, reformers, and undaunted warriors who are bold enough to smash the bounds of tradition. We have to say goodbye to Zhang Laoqi if we want to achieve the four modernizations, despite the fact that he was our clansman and elder. The "Cultural Revolution" broke out because there were too many Zhang Laoqi's. We will accomplish nothing in the four modernizations if there are too many Zhang Laoqi's. The image of Zhang Laoqi bears a strong historical sense, containing a rich, social content--an abnormality in party-masses relations.

Readers' views on "The Village Soul" are divided. Some comrades are of the opinion that it is incorrect to look upon Zhang Laoqi as the village soul. Their opinion sounds reasonable. We should not advocate blind loyalty, nor should we replace rational, historical values with emotional, moral values, lest we lift up a "bitter soul" to a "village soul," a national soul. The description of the village meeting on praising Zhang Laoqi in the last three paragraphs of the story is a superfluity and failure.

Nevertheless, the image of a deplorable peasant who was so occupied with his stone-cutting has given us a living lesson of history. Qiao Dianyun's achievement is highly commendable. Are there any great writers who are really free from historical limitations?

Laughter is more disheartening than crying. Those who are "superiors" should take warning!

CSO: 4004/21

## TALKING ABOUT THE 'WINGED OX'

Beijing RED FLAG in Chinese No 5, 1 Mar 85 p 35

[Article in "New Chat" column by Gan Feng [2413 1496]]

[Text] People around the world know about the "winged horse" but do not know that there also is a "winged ox." This is because the creature has the characteristics of the ox. It toils for long months and years like an elderly ox. It lifts itself to the ranks of the world's mortal beings; it does not clear its throat or make any noise and is far less willing to "stretch its neck and low at heaven." Hence, its high ambition and great talent are frequently unknown to anyone. Certain people known to be "Bo Le's," or, experts on horses, upon meeting it, would only pat its neck and comment on its "good spirit," but would turn around to look at the horses. What then about the "winged ox"? Without being known to people, without complaint, but like any other ox, it continues to drag along its heavily laden cart and moves along, step by step.

In seeking and choosing talented people, not only should we pay attention to the "winged horse," but also to the "winged ox."

Among our revolutionary ranks, there are many good comrades who, not for the sake of fame or profit, would work hard and not be upset by criticism, toiling for the party loyally and devotedly. They would do anything the party asks of them and would never stretch out their hands to the party asking for a job or power. Among them are certain comrades who, with their knowledge and talent, could well be pillars of the state, but, unfortunately, who, like "men of great wisdom, often appear slow-witted," and therefore have not attracted the attention of those in search of talent. Looking at the root of things, a certain bias is causing all the trouble: Selecting talent is to select the "winged steed," and not the "elderly ox." The conception of the "elderly ox" is that it lacks great talent and is therefore excluded from those qualified to be selected. It is indeed a pity that the spirit of the "elderly ox" has stifled real talent. It has been frequently seen that in human understanding one phenomenon covers up another phenomenon, one contradiction covers up another contradiction, and one inclination covers up another inclination. The spirit of the "elderly ox" can cover up talent, just like a green leaf covers up a red flower. This is not astonishing at all. If only in our minds there were less metaphysics but more dialectics, then all would be well.

When a "winged horse" meets with a "Bo Le" who knows horses, it will stretch its neck and whinny but the "winged ox" would hardly make any noise. This requires the "Bo Le" to take all the more meticulous care to discover its presence. A special warning that must be sounded is: Never take a "braying donkey" to be a "winged horse"; never, without examining their actual work, take persons who can talk as talented people; and never take persons who are good in currying favors and expert in the "science of relationships" and treat them as talented and appoint them to high posts.

Talented people abound in the rustic world while heroes rise amidst the rapid currents. Selecting the talented is an important field of knowledge. Let us hope that more comrades will study it.

CSO: 4004/21

## A SECOND COMMENT ON 'GOSSIP'

Beijing RED FLAG in Chinese No 5, 1 Mar 85 p 36

[Commentary by Shi Youxin [2457 0645 2946]]

[Text] Although I have commented on "gossip" once, I do not feel I have covered the topic. I would like to say a few more words.

"Gossip," whether it stems from envy and results in slander or whether it comes from sowing discord and results in irony or satire, is a stab in the back rather than a productive way of discussing matters. Few will disagree with me if I say that we should not equate gossip with proper public opinion.

Gossip that is insignificant should be ignored. Why should the topic of "gossip" be discussed? It reminds people of the pernicious influence of the "Cultural Revolution." The saying that "gossip" is a "harmful tradition of the 'Cultural Revolution'" is not unfounded.

Some people love "gossip." They cannot avoid listening to it as well as spreading rumors and trivia. The unchecked "trivia" spread during the "Cultural Revolution" was the "capital" and "weapon" of the "revolutionaries" who were "favored" and "of exceedingly high standing." They counted on "gossip" and said and did whatever they liked, taking no heed of the law, party discipline, social order, or social ethics. The situation triggered the undesirable development of extreme individualism by some people. The authorities concerned have brought order out of chaos since the 3d Plenary Session of the 11th CPC Central Committee. Many people have eradicated this undesirable habit. However, some people are still infatuated with what they consider a "triumphant" act. Since the idea of "revolution" is no longer in fashion, they "gossip" whenever they come across anything not to their liking.

Some people's "gossip" is closely related to their chronic factionalism. Under the influence of the idea that "it will be odd if no factions exist within the party," which was prevalent during the "Cultural Revolution," some people see factional interests and principles above all else, taking no heed of state interests or party principles. Factional influence has not been uprooted, even though the "Cultural Revolution" has not been in existence for years. One of the examples of this factionalism is the replacement of open sectarianism by spreading "public opinion," i.e., "gossip."

After looking at the above, it is not unjust to say that "gossip" is a "tradition of the 'Cultural Revolution!'"

Since the 3d Plenary Session of the 11th CPC Central Committee, China has attained a political stability and unity rarely seen in Chinese history. With the restoration and perfection of democratic life, the masses of party members and people have generally been able to speak without inhibition, although it is true that there is still room for improvement and that there are still many shortcomings. The masses have become more and more aware of their democratic right to express their views on party and national affairs. That is why some people disagree with Confucius that there will not be too many comments if the country is on the right track. They instead believe that there will be many comments if the country is on the right track. What they refer to, however, are proper and enthusiastic comments.

"Gossip" runs counter to normal democratic life. It dampens the socialist enthusiasm for thought, speech, and action in a bold manner, undermines the revolutionary spirit of being bold in exploring and blazing new trails, and harms cooperation and unity among comrades. It is definitely detrimental to China's breakthroughs. Moreover, it impedes the advance of the pace of the four modernizations and the selection and appointment of talented people. It disturbs our tranquil life. It tries to play a few disharmonious notes in the chorus of the four modernizations. Those who are party-spirited or those who intend no harm and are righteous should not view "gossip" as a way to express themselves. Nor should they let "gossip" spread at will. Let us, in our thorough negation of the "Cultural Revolution," eradicate "gossip" and give full play to our normal, vivacious democratic lives.

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ATTACH IMPORTANCE TO THE STUDY AND RESEARCH IN THE HISTORY OF CHINA'S  
ECONOMIC THOUGHT

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 37-42

[Article by Zhao Jing [6392 7231], Shi Shiqi [4258 0013 1142], and Chen  
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[Text]

I

Our country is among the oldest countries in the world with the longest history of civilization. It has a very rich cultural legacy, in which the legacy of the history of China's economic thought forms an important part. Conscientiously studying and researching the history of China's economic thought in order to make this legacy better serve our country's current construction of socialist material and spiritual civilization and making it shine brightly again in the whole world is a historic duty for the circles studying the history of China's economic thought at present.

At present, the development of the history of China's economic thought as a branch of learning and its position in the academic circles do not match the rich historical legacy of the history of China's economic thought. Whether in the field of teaching or in the field of scientific research, this branch of learning is still very weak. There are many causes for this situation. As a branch of learning, the history of China's economic thought began to develop relatively late. Before liberation, only a very small number of scholars did casual research work in this field. After the founding of the PRC, in the early 1960's, with the concern and support of the party, an initial basis was laid for the history of China's economic thought as an independent branch of learning. However, during the 10 years of civil disorder, it suffered serious destruction. We cannot deny that some views that did not conform to the facts and even some prejudices had an undeniable impact in giving rise to this situation.

One of these views was: It is held that China's economic thought is a poor legacy, therefore, it is not worth attaching importance to it. Originally, this was a prejudice that emerged due to the colonialist slave mentality that the imperialists fostered for a long time in order to plunder and enslave Eastern countries. Up to now, some people in the West still cling to this kind of prejudice and hold that Eastern countries, including China,

have never done well in their economic thought and that, not only in modern and contemporary periods but even in ancient times, they never had a single "thing good enough to compare with the magnificent beginnings that Western classical scholars of the Middle Ages made in the field of economics." ((Taylor) [Tai luo er 3141 5012 1422]: "Eastern Economic Thought" published in the May 1956 issue of AMERICAN ECONOMIC REVIEW) Under the influence of the colonialist slave mentality, some people in economic circles in old China improperly belittled themselves. For example, some people who taught European and American economic thought publicly alleged: China's ancient economic thought "really had nothing worth paying attention to." (Zhao Laping: "Modern European Theories of Economics: Introduction" 1929 edition by Commercial Press) Even those who had written pamphlets about the history of China's economic thought, held that China's legacy of economic thought was of little importance and asserted that their writings about the history of China's economic thought was aimed at making Chinese people "aware of their own shortcomings." (Gan Naiguang: "History of Economic Thought Before the Qin Dynasty," page 16 of the 1926 edition published by the Commercial Press) These national nihilists who read China's classics but forgot the legacy of their ancestors hindered people in correctly understanding and adopting a correct attitude toward the legacy of China's economic thought.

Another of these views was: It was held that studying the history of China's economic thought would not help us solve real social and economic problems; therefore, it was not worth spending time and labor in this field. Some people even erroneously held that studying this historical legacy would weaken people's attention to practical problems. An even more childish view held that studying this historical legacy ran counter to the four modernizations.

In order to change this situation concerning the history of China's economic thought, first, the comrades who are engaged in the work of teaching and researching into the history of China's economic thought should work hard and make arduous efforts in order to create as soon as possible a new situation in the scientific research in the history of China's economic thought and thus provide more research results of high quality for the community and provide the conditions for people to better understand this branch of learning. At the same time, we also should make the necessary propaganda and introduce the content, development, and significance of this branch of learning and clarify long-standing views and prejudices that do not conform to facts.

## II

The legacy of China's economic thought is not something that "really has nothing worth paying attention to" but has a very rich and diversified content.

The major content of the history of China's ancient economic thought is the economic thought of feudal times. China's feudal society lasted more than 2,000 years and its economic, technological, and cultural level was higher than that of Europe during the Middle Ages. The level of the development of its economic thought was also much higher than Europe's in the same era.

Feudal land ownership was the foundation of a feudal system and the thought related to the problem of feudal land ownership also had an important position in feudal economic thought and could best reflect the level of economic thought of different nations in feudal times. The number of materials about land in China's feudal times was so large that it is hard to find a rival. As far back as in the pre-Qin period, the idea of the nine square system emerged. Later the ideas on restricting the area of land that one was allowed to own and on sharing land equally began to take shape one after the other. These ideas gave rise to the three patterns which constituted the basis for people to solve land problems later. There were more than several dozens of schemes for solving land problems that were designed on the basis of these three basic patterns. At the beginning of the Qing Dynasty, Wang Yuan put forth the idea of "letting those who have land till their own land" and "allowing peasants only to own land." (See Li Gong's "A Collection of Essays on Equality") This became the pioneer idea of "letting those who till the land own the land" in the modern bourgeois democratic revolution. Closely linked with the feudal land system is the problem of the distribution of the products of peasants' surplus labor. This was also a major theme discussed by China's economic thought in feudal times. As a result, various kinds of ideas on rent, taxes, and corvee emerged. In the middle of the Western Han Dynasty 2,000 years ago, some people had already seen that excessive rent was an important cause of the peasants' poverty. After the Tang and Song Dynasties, the view emerged that rent was a profit gained by other people's toil. Based on this, emerged the ideas developed about reducing rent.

From the Warring States period to the period of the Qin and Han Dynasties, the following three dominant economic views gradually emerged in China's feudal period: The theory that "attaches importance to righteousness and looks down upon profit," the theory that "attaches importance to the basic undertaking (agriculture) and restricts what is peripheral (industry and commerce)," and the theory that "criticizes luxury and encourages thrift." These ideas later became the doctrines of the orthodox economic thought that the conservative forces of feudal society regarded as sacred and inviolable. They were used to suppress progressive financial and economic reform and fetter people's minds. These three doctrines were continuously criticized by progressive thinkers in various periods and this criticism gave rise to a complicated situation in the struggle in the field of economic thought.

In order to safeguard its own rule, the centralist and autocratic feudal state power had to apply its power to intervene in and administer the national economy in diverse ways. In the prolonged feudal society, the discussion of the state's intervention in and administration of the national economy became a characteristic part of the contents of the history of China's economic thought in the feudal period. In the process of this discussion views emerged that advocated state intervention, those that opposed state intervention, and those that opposed excessive state intervention. As far back as in the period of the Western Han Dynasty, the "priority" theory that stressed state intervention in and control over the national economy and the "being good at allowing" theory that opposed

excessive state intervention in private economic activities emerged. ("To allow" means letting people do what they want. The theory of "being good at allowing" stresses that a good economic policy should allow people to carry out their production and management activities at will and that the state should seldom intervene.) These two theories opposed each other. There was a wealth of ideas about finance, taxes, and corvee in China's feudal period. The financial principle of "keeping expenditures within the limits of income" and "calculating income to control expenditures" was put forth in China earlier than in the West. As for the understanding of the mutual relations between finance and the national economy, China reached a relatively high level as far back as the pre-Qin period. At that time, it was understood that the economy is the "basis" (foundation) of finance and that financial policies had their effects on the economy and could play a role in "strengthening the basis" or "destroying the basis."

Marx held that commodity production, trade, currency, and interest-bearing capital are common to both capitalist societies and ancient societies, and that in this field, ancient Greek thinkers expressed many "talented and creative views" which "historically became the starting point of modern scientific theory." ("Collected Works of Marx and Engels," Vol 20, p 250) The level of the development of commodity economy, industry, and commerce was higher in China than in Europe in the feudal period, therefore, the thinkers in China's feudal period also expressed many "talented and creative views" in this field. In the book "Mohism," the idea that "shoemakers make shoes for sale rather than to wear" was put forth. This idea meant that shoes were made to be exchanged for other commodities rather than for the shoemakers to wear. In fact, this view showed that the writer saw the dual nature of use value and exchange value in commodities and was at the same level of understanding as Aristotle, a Greek scholar of the same time.

Aristotle furthermore discovered the relations of equality in the value of commodities. Marx highly praised this discovery and held that "it was precisely this discovery that displayed the magnificent gift of" Aristotle. ("Collected Works of Marx and Engels," Vol 23, p 75) At nearly the same time, China's Meng Ke pointed out that the prices of various kinds of commodities "are not the same," and one might be 1, 5, or even 1,000 or 5,000-fold more expensive than the other. This was because of the difference in the "state of affairs related to these things." Here, "things" meant commodities and "state of affairs" meant what was within these things. Of course, Meng Ke did not know what after all was the "state of affairs related to these things," but since he attributed only the quantitative difference to the "state of affairs related to things," what he meant was not the use value of commodities. Meng Ke's analysis obviously touched on the question of the value of commodities and his achievement was equal to that of Aristotle's in magnificence.

By the 15th century, in the Ming Dynasty Qiu Pui further realized that commodity "prices" were determined by the "pain" taken in producing them and that "as the degree of pain varies, so the prices vary." ("Supplementary Annotations to the Great Learning," Vol 27) This was already a fairly clear idea of the value of labor.

In ancient China, the theory on using metals as currency, the theory on the classification of currencies, and the theory on the currency volume emerged relatively early. At the end of the 3d century, Lu Bao of the Western Jing Dynasty wrote a special essay entitled "On the God of Money" to sneer at and reflect the phenomena of money fetish. In the 11th century, Shen Kuo of the Northern Song Dynasty analyzed the relationships between the speed of currency circulation and the volume of currency in circulation. He held that increasing the speed of currency circulation had the same effect as increasing the volume of currency in circulation. This was several hundred to nearly a thousand years before the emergence of similar views in the West.

After the failure in the first Opium War in 1840, China gradually declined from a feudal society to a semicolonial and semifeudal society. During the old democratic revolution period of this semicolonial and semifeudal society, the major economic thought was the economic thought of Chinese bourgeoisie. As the development of China's society lagged far behind that of the West in modern times, the economic thought of the Chinese bourgeoisie could not be compared with the prominent economic thought of the Western bourgeoisie (for example the classical economists). However, there were some special features and many things worth cherishing in the economic thought of the old democratic revolution period in China. This economic thought consisted not only of contents that opposed feudalism, but also contents that opposed the economic aggression of the imperialists. In order to eliminate poverty and humiliation, in order to develop our national economy, and in order to strive to make our country independent, rich, and prosperous, many advanced thinkers looked at the West for truth that would enable China to become one of the advanced nations in the world and put forth various ideas which formed a profoundly instructive part of China's modern economic thought, which was significantly typical of the economic thought of the colonial and semicolonial countries of the world.

As long as one has no prejudices and is willing to study problems with an objective attitude of seeking truth from facts, in the process of research in the legacy of China's economic thought, one will marvel at the rich and magnificent contents of this thought. This will make all those who love our motherland deeply proud of being children of the Chinese nation.

Upholding attaching importance to our own legacy of economic thought by no means indicates that we advocate cultural xenophobia. The advanced thinkers in our history always had a fine tradition of respecting and learning from the fine culture abroad. However, in learning from and assimilating foreign culture, they never absorbed it without digesting it nor copied it mechanically, but started from China's needs and did their best to combine foreign culture with China's own inherent culture. Because of the restrictions of the historical conditions of their times and the restrictions of their world outlook, it was impossible for them to combine them satisfactorily, they still tried their best to do it. China's modern history has fully proved that most of those who proceeded from China's actual needs and absorbed foreign economic thought by linking it with our national characteristics and forms were able to contribute to the development of China's modern

economic thought, while those who blindly worshipped foreign things, who regarded foreign economic theories as a "collection of doctrines" ("Collected Works of Marx and Engels," Vol 23, p 15), and who took and relayed foreign theories in totality, achieved no fame in the history of China's economic thought. This experience gained in the history of China's modern economic thought is worth people thinking about deeply.

### III

Researching the history of China's economic thought is by no means devoid of practical significance and can be very helpful in understanding and solving practical economic problems at present.

Today, we are striving to build socialism with Chinese characteristics. This is a great and arduous struggle that is incomparable to any great campaign in history. However, we are carrying out this struggle under conditions derived from our history. Divorced from these historic conditions, we could say nothing about Chinese characteristics nor about building socialism with Chinese characteristics.

There are many things in the fine historical legacy of China's economic thought that we can refer to. In this area, we should first mention the tradition of the advanced thinkers of past dynasties who attached importance to developing the economy and stressed "making the people rich." This kind of idea regarded making the social economy prosperous, increasing social wealth, and enabling the vast number of people to have sufficient food and clothing as the foundation and precondition for the prosperity of the state and the stability of social order. It was said that when Emperor Yao gave up sovereign authority to Emperor Shun, he warned his successor that: "When there is poverty all over our land, you will never have the blessing of heaven." This showed that he already regarded the livelihood of the people as the key to the stability, security, and prosperity of the throne. During the Spring and Autumn Period, the great politician Guang Zhong put forth the thesis with the materialist tincture that "people behave satisfactorily when our granaries are full and cherish honor when they have enough food and clothing." This became a well-known saying that was popular for many years in Chinese history. It encouraged many thinkers of past dynasties who were concerned about the economy of the state and the livelihood of the people to put forth various kinds of beautiful ideals and schemes to reform the reality.

Most of the ancient progressive thinkers were thinkers of the exploiting class; therefore, what they said about making the people rich differed entirely in class content from our view on enabling the vast number of people to become rich together. However, are the pithy theses such as "when there is poverty all over our land, you will never have the blessing of heaven" and "people behave satisfactorily when our granaries are full and cherish honor when they have enough food and clothing" not of profound significance as a reference for us in correctly understanding the necessity to regard our socialist economic construction as the nucleus of all our work at present? Are they not very helpful and instructive for us in deeply

realizing the reactionary nature of the thesis that "socialism means poverty" and "the poorer the more revolutionary"?

Many well-known ancient Chinese thinkers and politicians who wanted to achieve merit paid great attention to summing up historical experiences. Many profound economic ideas often emerged in the process of summing up historical experiences. A wonderful, typical example for this was the ideas of Lu Jia of the Western Han Dynasty.

Emperor Shihuangdi of the Qin Dynasty unified China more than 2,000 years ago and played an important role in promoting the development of China's history. However, the emperor was able to establish a unified feudal kingdom but was not able to consolidate it and the Qin empire was overthrown in a little over 10 years. At the beginning of the Western Han Dynasty, the politicians and thinkers then all paid great attention to summing up the historical experiences of the Qin Dynasty and hoped that a repetition of the tragedy of the previous dynasty could be avoided. Lu Jia, an adviser to Liu Bang, Emperor Gaozu of the Han Dynasty, reminded Liu Bang: The ruling of a country can be seized through "fighting on horseback," but one can never rule well "on horseback." ("Records of the Historian: Biography of Li Yiji and Lu Jia") He gave Liu Bang the advice that Liu had to learn from the lessons drawn from the Qin Dynasty, streamline government administration, alleviate criminal punishment, reduce financial expenditures, taxes, and corvee, so as to allow people to rest and build up their strength, and do his best to reduce the burdens on the people and state interference in the people's economic activities so as to enable the people to have the financial strength to carry out production and recover from the serious destruction that the prolonged civil war had caused to the national economy. He used terms that pre-Qin Taoists used to cite and called his views the theory of "ruling the country idly." This theory about "idle rule" became the guiding thought on the economic policies in the initial period of the Western Han Dynasty. It played an important role in helping the Han empire overcome the serious difficulties and crises in its initial period and in promoting the recovery and development of the feudal economy.

The historical experience that Lu Jia summed up was based on the social and economic preconditions of a feudal economy with the private ownership of land. He pointed out to the authorities of the Western Han Dynasty the path for recovering from the turmoil of the civil war and developing the feudal economy. However, his theory that the ruling of a country can be seized through "fighting on horseback," but one can never rule well "on horseback," touched a universal principle: seizing state power differs from consolidating state power. The two are governed by different laws and the methods suited to them are different. After state power is seized, the set of methods that were used before the seizure of state power will no longer be applicable. There must be a timely switching from the methods of "seizing the rule" to the methods of "ruling well," that is, the switching the orbit of restoring and developing the economy and consolidating state power. "Ruling well" takes an even longer time than "seizing state power."

The above were only a few examples, but from them we can see that there are indeed countless things in the legacy of China's ancient economic thought for us to refer to and learn from.

Researching the history of modern China's economic thought is more closely linked with the struggle at present.

In modern times, the oppression of imperialism and feudalism put the Chinese people into the abyss of a semicolonial and semifeudal society. In order to put an end to the serious predicament that the motherland was in, the great people of the various nationalities in China carried out heroic struggles and advanced wave upon wave for over 100 years. Before the establishment of the CPC, advanced people in China underwent lots of bitterness in order to find the truth to save the country and the people. In the economic field, they strongly denounced the imperialists' economic aggression against China and demanded the development of an independent national economy. To various extents, they exposed and criticized the backward and reactionary nature of feudalism and demanded substituting capitalist socialized mass production for the feudalist mode of production. Some radical thinkers put forth a variety of schemes for reforming the land system. They were bitter about the poverty and backwardness in China's economy and put forth the idea of using Western machines, equipment, and science and technology to make China's industry prosperous. Wei Yuan put forth the slogan of "learning from the strong points of the foreigners to resist them"; Hong Xiuquan advocated the idea of "all the people jointly till and own the land" and put forth the ideal of "ensuring everyone has enough food and clothing"; Zheng Guangying developed the "theory of commercial wars"; Kang Youwei and Liang Qichao raised the demand for the industrialization of our country; and Sun Yat-sen put forth the idea of "letting peasants own the land they till" and the "industrialization plan." All these were the cream of modern China's advanced economic thought.

Some of the goals that advanced Chinese in modern times fought for and could not realize have already been achieved or even exceeded under the leadership of the CPC (for example, the solution of the land issue, the elimination of the colonial slavery of the imperialists and the achievement of the national and economic independence). In realizing other goals, we have already scored major achievements, but we have not yet completely achieved these goals (for example, the realization of the industrialization and modernization of our country and the goal of making our country prosperous). Through studying the history of modern China's economic thought, we deeply understand that at present, we are indeed "carrying on the activities of our ancestors under completely changed conditions." ("Collected Works of Marx and Engels," Vol 3, p 51)

The Chinese people are not only diligent, wise, brave, and indomitable, but they cherish lofty aspirations and ideals. In the field of modern economic thought, this characteristic of the Chinese people is mainly shown in the following two aspects:

First, while vigorously finding a way to put an end to China's poverty and backwardness, China's advanced thinkers also raised even loftier goals and demands for the development of Chinese economy. Wei Yuan, a thinker in modern China who was the first to clearly raise the demand of learning from the West, firmly believed that through learning from the West, China would be able to catch up with the West. He said: "By that time, we will see that the people in the East are equal to the people in the West."

("Illustrated History of Foreign Countries: Development of Foreign Countries," Vol 3) In 1894, before the 1895 Sino-Japanese war broke out, Sun Yat-sen, a great forerunner of Chinese revolution, put forth the goal of developing China's economy and making it "surpass Europe." ("Collected Works of Sun Yat-sen," Vol 1, p 15 of the 1982 Chinese Publishing House edition) After China began to follow the path of the democratic revolution, he time and again inspired and encouraged the Chinese people, saying: "With a population of over 400 million people and a territory tens of thousands of li wide, we are indeed able to make our country so prosperous that no other country can rival it." (Ibid., Vol 1, p 19) When the old China was in deep misery, our forefathers had strong confidence in the future of our motherland and cherished magnificent aspirations for developing China. How great a role this will play in encouraging us to strive to "revitalize China" at present!

Second, advanced Chinese in modern times "looked for truth in Western countries" and attempted to transform China in light of the features of Western countries, but they were not satisfied with the capitalist system. They criticized and denounced the monopoly, oppression, and polarization between the rich and the poor, and the economic crises and put forth a variety of ideals for a "perfect society." They hoped that a "perfect society" better than capitalism would emerge in China. The ideal of a "perfect society" in China's later modern period had already been affected by the socialist ideological trend in the West. Kang Youwei's ideal of a "perfect society" consists of the public ownership of the means of production, the ideal that everybody takes part in labor, the elimination of exploitation, the elimination of the anarchic conditions in production, and the elimination of war. Sun Yat-sen clearly regarded a "perfect society" as a synonym for "socialism." Of course, as China's national bourgeoisie was weak, it was not able to lead China to achieve victory in its bourgeois democratic revolution, even less was it able to direct the Chinese people onto the path leading to a "perfect society" or socialism. However, Kang Youwei, Sun Yat-sen, and other outstanding thinkers of the Chinese bourgeoisie held that the capitalist system was not an ideal system and they all put forth an ideal of a "perfect society." This reflected from a certain angle the following truth. A capitalist path is not feasible in China and "only socialism can save China." (Mao Zedong: "On Correctly Handling Contradictions Among the People")

We should cast aside or reject the dross in the legacy of our economic thought. However, "to discard the dross" does not mean casting it aside and refusing to understand and study it, but means clearly distinguishing, on the basis of conscientiously studying our historical legacy, what is essential from what is dross and to scientifically and thoroughly understand the harm of dross and the historical conditions for its emergence in order

to really discard the dross ideologically. If we put aside and refuse to study the dross of our historical legacy and if we even attempt to seal it up and forbid people to study it, we will not be able to eliminate its impact. On the contrary, we will allow the dross to imperceptibly poison our people as it is difficult for our people to be aware of it. What we should particularly point out is: When the reactionary forces use the dross of our historical legacy to poison our people, they often do not use its original ancient form, but use it in a changed form and stick a new label on it. Thus, if people fail to research the dross of our historical legacy and do not have sufficient cognitive ability, it is quite likely they will be confused.

The idea of "attaching importance to righteousness and looking down on profits"--one of the principal dogmas of orthodox economic thought in China's feudal times--regarded "righteousness" namely, the morality of the ruling class, as a thing that plays a decisive role over "profits"--economic interests--and stressed that it was imperative for people to absolutely submit themselves to "righteousness" in acquiring and possessing their wealth. In our prolonged feudal society, the decadent and reactionary forces always used the idea of "attaching importance to righteousness and looking down on profits" to suppress the demand of the laboring people for improvements in their working and living conditions and to hinder any social economic reform which was of progressive significance. They denounced as "not righteous" any idea, speech, or action that hurt the acquired profits and privileges of the decadent ruling forces.

People remember that during the 10 years of civil disorder, there emerged quite a few fallacies which opposed the practice of attaching importance to our economic work: The demand for developing production was denounced and regarded as a "theory of the unique importance of productive force" and using "production to suppress revolution." Those showing concern about the livelihood of the masses were accused of committing "economism." The attempt to improve the management and administration of our enterprises and to put an end to the chaos in our enterprises was condemned and labeled trying to "restrict, fetter, and suppress" our enterprises. There even emerged the absolutely preposterous slogan that "we would prefer socialist weeds to capitalist seedlings." It is not difficult for us to see that these absurd theories and cynical remarks, in fact, were precisely the reiteration of the feudal dogma of "attaching importance to righteousness and looking down on profits." Only, it was labeled "giving prominence to proletarian politics" and "socialism."

Facts have proved that only by conducting a scientific research in our historical legacy and only by scientifically summing up our historical legacy, can we "keep the essence and discard the dross." When we neglect and even refuse to carry out research in our historical legacy, we will often get just the reverse to what we want.

Comrade Mao Zedong pointed out: "Contemporary China has grown out of the China of the past; we are Marxist in our historical approach and must not lop off our history. We should sum up our history from Confucius to Sun

Yat-sen and take over this valuable legacy. This is important for guiding the great movement of today." ("Selected Works of Mao Zedong," Vol 2, p 499) When we have conscientiously studied and researched into the history of China's economic thought, this instruction of Comrade Mao Zedong's will touch our hearts.

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## WHY IS IT NECESSARY TO COMMERCIALIZE RESIDENTIAL UNITS IN CITIES AND TOWNS?

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[Article by Qi Jiang [7871 3068]]

[Text] Our country's socialist economy is a planned commodity economy. The producer produces goods not for his own consumption but for the sake of exchange for other goods--in other words, what he produces is commodity. However, for a long time in the past we refused to recognize residential units as commodities. Rather, we looked at the construction and distribution of residential units in cities and towns as being collective welfare affairs; state-owned residential units were not allowed to be sold to, or privately owned by, individual residents; and the regulation of rent was at a rather low level, insufficient even for maintenance purposes. To commercialize residential units in cities and towns implies operations in accordance with the original state of the affiliation of residential units in cities and towns, namely, the category of commodities, thus enabling state-owned residential units to be rented out or sold, and, in addition, making it gradually possible that the buying, selling, and renting of residential units will be carried out in accordance with the law of commodity economy.

Enforcement of the commercializing of residential units in cities and towns is prompted by the original system of low rent charged for publicly owned residential units. In reality, this system means that the state "contracts" to take charge of the housing of the populace, although it does not have the capacity to do so and there are many problems. Each year the state has invested a very large sum for the construction of residential units. Commencing from 1980, the amount it invested each year has exceeded 10 billion yuan, and, since the founding of the PRC, the amount thus invested has exceeded 100 billion yuan. This amount of investment not only cannot be recovered and cannot accrue in value but also each year a large amount of funds has to be expended on maintenance charges. The maintenance and expansion of the reproduction of residential units must entirely rely on the state by making use of the profits and taxes delivered by other departments. This state of affairs has been repeated year after year, and the state literally has found it difficult to bear the burden. Since a result of house rents occupying a very small proportion of the living expenses of residents (according to a sample survey conducted by the State Statistical Bureau, in 1983 rent for residences amounted to only 1.52 percent of the gross outlay

of the families of staff members and workers), and due to the fact that housing can receive a large subsidy from the state, this has encouraged the practice of people occupying spacious and comfortable quarters. In turn, this has aggravated the seriousness of the housing problem.

In order to basically solve the problem of housing shortage in cities and towns, the key lies in commercializing residential units. Acting in this way has the following advantages:

First, it will be possible to continuously obtain a return on the investments for the construction of residential units and to expand the scale of building residential units. From 1979 to 1983, in our country's cities and towns the sales and subsidy-sales of newly built state-owned residential units amounted to a total area of about 500,000 square meters and retrieved funds amounting to 70 million yuan (not including the unpaid portion of purchases made by residents under the installment plan). The great part of this amount of retrieved funds was subsequently invested in building more units.

Second, it will be possible to enable the residential housing trade to extricate itself from the wretched position of forever depending on state subsidies and gradually and boldly step forward in the direction of self-dependence.

Third, it will be possible to effectively curb the practices of occupying more housing space and better housing quarters and thus to link the consumption outlay on "housing" to the residents' actual capacity to pay.

In reality, the significance of realizing the commercializing of residential units far surpasses the above. It can facilitate the formation of the housing and real estate industry in the cities and municipalities, thereby opening up a source of financing for municipal construction; it can stimulate the development of the building industry and the building materials industry, turning them into powerful pillars of the national economy; and it can transform the condition of "housing" outlays of residents tending to the low side proportionally, thus rationalizing the social consumption structure. Undoubtedly, all these are highly beneficial to enlivening the whole national economy.

Are the enforcement of commercializing residential units in cities and towns and the gradual abolition of state housing subsidies in conformity with the principles of socialism? The socialist system enforces the principle of distribution according to work in regard to the means of consumption of the individual. A resident's outlay on housing belongs to the category of the individual's consumption. In accordance with the principle of exchange at equal value, the worker uses the money earned from his work to buy or to rent the means of consumption, including housing, which he needs. This is precisely an illustration of the application of the socialist principle of distribution.

The crucial problem in realizing the commercializing of residential units in our country lies in the transformation of the system of low rent. But to

ensure that the standard of living of the broad masses of staff members and workers will not be lowered, reform of the rental system should be carried out by stages and systematically. As for the small number of families which, because of their low income or lack of labor power, cannot afford the high cost of housing, they should continue to be subsidized.

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## HOW SHOULD WE APPROACH LABOR COOPERATION WITH FOREIGN COUNTRIES?

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 44-45

[Article by Liang Song]

[Text] Labor cooperation with foreign countries is one form of economic and technical cooperation between China and other countries and regions. Labor cooperation includes sending personnel abroad to contract foreign projects; sending personnel abroad to provide technology and labor for foreign proprietors or contractors; and sending production and managerial personnel abroad to work in joint ventures between China and foreign entrepreneurs. Failing to understand the situation, some comrades hold that sending labor personnel abroad to undertake construction is selling labor in a disguised form; and they even place it on a par with the "Overseas Chinese laborers" of old China. This does not conform to the facts. How should we understand this issue correctly?

Long ago, Marx and Engels pointed out in the "Communist Manifesto" that with the formation of the capitalist world market, "in place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, and the universal interdependence of nations." ("Selected Works of Marx and Engels," Vol 1, p 255) Under the effects of the rapid development of production and science and technology, global economic and technical ties and the relationships regarding the cooperative division of labor are closer than ever before; at the same time, it is impossible for any country to possess all the natural resources, capital, and technologies needed in developing its own economy. This requires us to make full use of natural resources both at home and abroad, and to open up and utilize the home market and the world market as well, making good our shortage with the abundance of the world, and benefiting the world with our own advantages in order to push forward China's economic development.

A large population has been one of China's major problems; however, abundant labor force is one of our advantages. But lack of capital and raw materials has restricted us from fully bringing this advantage into play. The chief way to solve this problem is to open wide the channels for employment and bring into play the advantage of abundant labor by developing diversified management in the rural areas and tertiary industry in the urban areas; apart from this, we are to face the world and to undertake active labor cooperation with foreign countries.

Bringing China's advantage of abundant labor resources fully into play and undertaking labor cooperation with foreign countries will promote our national economic construction and enhance worldwide mutual cooperation and understanding. First, it will increase the state's foreign exchange revenues. According to statistics, a turnover of \$550 million was realized in 1984 through contracting foreign projects and providing labor services abroad, up 28.8 percent from 1983. Second, it is helpful in increasing China's exports of materials and equipment, which prevents or reduces the outflow of foreign exchange. Third, it is favorable to improving the quality of the rank and file of China's workers and staff. While providing services abroad, a large number of workers and staff can directly learn knowledge of advanced foreign technology and management. Many of the workers and staff who returned after undertaking labor cooperation abroad have become the technical backbone of their own enterprises. Fourth, some Chinese corporations have provided good-quality work in contracting foreign projects, and they have been awarded with the Italian "(?Moqiuli) [1075 8002 0448] Prize," the British "Grand Gold Prize" conferred by the International Gardening Office of Liverpool, and the Spanish "International Commerce Prize," which have raised China's reputation in the world market. And fifth, it is helpful to promote economic cooperation and friendship between China and other countries, in particular, developing Third World countries. Chinese personnel undertaking labor cooperation abroad have helped these countries in their economic construction with their hard work and technical knowledge and has also played a role in supporting the national independence of the developing countries and their national economic construction.

From the facts mentioned above, we can see that the personnel sent to undertake labor cooperation abroad are essentially different from the "Overseas Chinese laborers" of old China.

First, the "Overseas Chinese laborers" of old China were forced to leave their hometown under the semicolonial and semifeudal system. They crossed the ocean to sell their labor, and often they were ordered about like slaves. However, the personnel involved in labor cooperation are sent abroad by the socialist state in a planned and organized manner. No matter what nature or classification of work they are engaged in abroad, they are all workers and staff of our socialist enterprises and units; like all the workers and staff at home, they are masters of the country; and the only difference is in the place and environment of work.

Second, when "Overseas Chinese laborers" were abroad, all they could earn were conditions of their own subsistence. Though working abroad, the personnel involved in labor cooperation sent by the socialist state, like the rest of workers and staff at home, are strengthening China's economic strength and serving the acceleration of modernization with their own wisdom and hard work.

Third, the history written in the blood and tears of "Overseas Chinese laborers" has proved that their conditions were very much the same as those of Negro slaves, and they had fully experienced the exploitation and fraud of foreign capital, leading an inhuman life. But now, the personnel involved

in labor cooperation sent abroad by the state are all PRC citizens, and are well protected by China no matter what country they are working in; and they enjoy all the rights stipulated in the contracts signed by the two parties. They are honored politically, and their living standards are guaranteed. Not only that, but while earning foreign exchange for the state, they acquire a higher income than personnel of the same category at home, and get rich first based on the principle of more work, more pay.

Fourth, "Overseas Chinese laborers" were just one of the examples to prove the great disasters of the Chinese nation in the past. But now the personnel involved in labor cooperation sent abroad by China have won the admiration and praise of the governments, contractors, and local people of many countries, with their high efficiency in work, good quality construction, and enthusiastic service, and they have demonstrated the excellent talents of the Chinese nation in their struggle for human progress.

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IS THE IMPLEMENTATION OF THE FACTORY DIRECTOR RESPONSIBILITY SYSTEM A  
NEGATION OF THE PRINCIPLE OF DEMOCRATIC CENTRALISM?

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 45-46

[Article by Lu Zhenmao [0712 2182 5399]]

[Text] The implementation of the factory director responsibility system is one of the major reforms of the leadership system of our country's enterprises. The factory director responsibility system means that the factory director has the right to exercise decisionmaking power, the power to direct and the power to appoint and remove administrative cadres, and the factory director is the only person who has the authority to make decisions, implement the decisions, administrate the enterprises, and appoint and remove personnel. So the factory director responsibility system will help us to overcome the disadvantages of the present enterprises leadership system, such as the slow decisionmaking process, the lower efficiency and the lack of responsible leaders, and will also further embody the principle of democratic centralism.

We all know that for many years we have implemented the system of factory director responsibility under the leadership of our state enterprises' party committees. The main disadvantage of this leadership system is improperly giving all the power, such as managerial and administrative power in the enterprises and so on to the enterprise party committees, replacing government control with party control, replacing the enterprises' authorities with party committees, mixing up the responsibilities of the party, the government, and the enterprises and separating powers from responsibilities in the enterprises. The so-called system of factory director responsibility under the leadership of the party committee is actually the party secretary responsibility system, and the so-called party committee collective responsibility system is actually no responsibility system at all. The purpose of implementing the factory director responsibility system is to change the practice of replacing government control with party control, replacing the enterprises' authorities with party committees, and the situation wherein enterprises lack responsibility in such a way is to give the decisionmaking power over production and management of the enterprises and the administrative power to the factory director, thus unifying power and responsibility and enabling the factory director to truly become the representative of the enterprise. The implementation of the factory director responsibility system absolutely does

not negate the principle of democratic centralism. On the contrary, it is the application and development of the principle of democratic centralism in the management of enterprises. This can be seen in the following aspects:

First, before making an important decision concerning production and management of an enterprise, the enterprise factory director must first develop a democratic style of work, gather the opinions of the party secretary, the trade union chairman, the various department leaders, the technical personnel, and the workers' representatives. Finally, the factory director will consider all the opinions and make decisions and the responsibility for organizing the enterprises to implement the decisions. So, the implementation of the factory director responsibility system in the enterprises will not only help us to solve the problem of the lack of responsibility in the enterprises, but also help us to correctly carry out the principle of democratic centralism.

Second, the factory director must submit a work report to the workers' congress at regular intervals, and submit any major draft decisions concerning production or management of the enterprise to the workers congress for consideration, and also be ready to be criticized and supervised by the workers in his work. The workers congress is the basic form of carrying out democratic management in socialist enterprises. Under public ownership of the means of production, the workers are the masters of the enterprises and are responsible for the production and management of the enterprises and also have the right to take part in the management of the enterprises. After the reform of the economic structure, the enterprises now have greater decision-making power. Under such new circumstances, not only do the enterprises have greater power and responsibilities, but also the actual result of the management and production of the enterprises will affect the personal interests of every worker in the enterprises. So the broad masses of the workers are now more eagerly demanding participation in the management of the enterprises. They are now not only demanding to have a policymaker and administrator who can fully represent the interests of all the workers, but also demanding the establishment of a workers congress, an organization which can represent the workers in the democratic management of the enterprises. Just as has been pointed out in the "Government Work Report" made by Premier Zhao Ziyang at the Second Plenary Session of the Sixth National People's Congress, in implementing the factory director responsibility system, we "must adopt a series of effective measures to practically guarantee that the workers have the right to take part in the democratic management of the enterprises, perfectly establish the system of workers congresses so as to bring into play the role of the workers congresses in considering the enterprises' major decisions and safeguarding the rights and interests of the workers so as to fully embody the position of the workers as the masters of the enterprises. This is an important characteristic of our socialist enterprises."

So, in implementing the factory director responsibility system, no matter whether he is appointed by the higher authorities, or elected by the workers congress, the factory director must strictly exercise all his powers concerning

the production and management of the enterprises according to the principle of democratic management, enable the workers to fully participate in the democratic management of the enterprises and avoid the tendency of centering all powers on himself.

Third, the production management and administration of the enterprises must be supervised by the party committees of the enterprises. In the past, when we implemented the system of factory director responsibility under the leadership of the party committee, the party committee's leadership in the enterprise was generally embodied in the following three aspects: the management decisionmaking power, administrative power, and the power of administrative supervision. In order to further invigorate the enterprises, in the reform of the economic structure, the party committee of the enterprise should delegate the production and management decisionmaking powers and administrative power to the factory director and the party committee will only supervise the work of the factory director. This method will help the party committee to concentrate its efforts on strengthening ideological and political work and the construction of party organizations, to supervise production, management, and administration of the enterprise, and will enable the enterprise to develop better and more healthily according to party principles, policies and plans. If the factory director does not exercise his powers according to the party and state principles, policies, and plans, or violates state laws and regulations, the party committee will have the right to criticize him and even apply to the higher authorities to remove him from office. This is an important aspect of party leadership in the enterprise and also an important aspect of the implementation of the principle of democratic centralism.

After implementing the factory director responsibility system, although the factory director has more powers and responsibilities, he must accept the leadership of the higher authorities, follow the mass line, implement democratic management, and correctly carry out party principles and policies. This will prevent the factory director from taking any arbitrary action. So the factory director responsibility system is not contrary to the principle of democratic centralism. On the contrary, they can be closely combined with each other.

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## WILL FAILURE TO ATTAIN COMMON ECONOMIC PROSPERITY AFFECT POLITICAL EQUALITY?

Beijing RED FLAG in Chinese No 5, 1 Mar 85 p 47

[Article by Hu Shi [5170 0138]]

[Text] Under our country's socialist conditions, the different rates for getting rich are attributed to different work abilities and different degrees of diligence among the working people. Thus some of them may become rich faster and earlier than others. This is absolutely different from the phenomenon of polarization under the private ownership system, in which a very small number of people become exploiters while the vast majority of people are reduced to abject poverty. At present, the fact that some people become well off ahead of others will not affect political equality among the whole people.

Political rights are a component part of the superstructure of society and, in the final analysis, are determined by the economic base of society. Under the system of private ownership of the means of production, political inequality is caused by inequality in the possession of the means of production and by the class difference between the exploiters and the exploited. The socialist economic base is the socialist system of public ownership of the means of production. This system fundamentally eliminates the economic base for political inequality. Ours is a socialist country under the people's democratic dictatorship led by the working class and based on the worker-peasant alliance. The equal position of the people as the masters of the country directly determines that they all enjoy equal political rights. Their difference in wealth due to their different incomes through work does not mean that some of them will be more noble while others will become humble. Some political honor awarded to people who have made themselves rich through hard work does not mean that they are a cut above other people.

Political equality among all people is effected through their equal exercise of political rights. The principle that all people can equally exercise their political rights is prescribed and safeguarded by our country's constitution and other laws. In the provisions on the basic rights and duties for our citizens, the constitution primarily and emphatically points out that all citizens of the PRC are equal before the law. This provides the legal safeguard for the equal exercise of political rights by all citizens. The constitution also clearly provides that all citizens in our country who have

reached the age of 18, except those who have been deprived of political rights according to the law, have the right to vote and stand for election, regardless of property status. This shows that the people's political equality is not affected by their differences in the degree of economic well-being.

It should also be pointed out that the policy of allowing and encouraging some people to become rich ahead of others through hard work will effectively arouse the enthusiasm of most people for work and will greatly inspire them to strive for a handsome fortune. Therefore, not only is it impossible for the different rates of becoming rich among the people to affect their political equality, but it will also help eliminate the major social differences and inequalities caused by the backward condition of the social productive forces.

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# WHY IS IT NECESSARY TO INSTITUTE THE INVESTMENT CONTRACT RESPONSIBILITY SYSTEM FOR CONSTRUCTION PROJECTS?

Beijing RED FLAG in Chinese No 5, 1 Mar 85 pp 47-48

[Article by Wu Xingguo [0702 5281 0948] and Shen Zhixiang [3088 1807 4382]]

[Text] In the past, the state investments in capital construction were allocated to construction units for their free use. The investments needed for various construction projects were listed in the investment estimate and budget. In the course of construction, however, the construction units could freely spend money because all expenses were covered by the state. The economic interests of the construction units were not linked with the expenses and so they did not have to assume any economic responsibility. This practice of "everybody eating from the same big pot," under which the state provided construction units with money and then reimbursed them for what they spent, failed to encourage people to perform careful calculations and strict budgeting before carrying out a construction project. On the contrary, it encouraged people to be wasteful and to carry out a project before performing any calculations. According to some typical findings, several years ago the actual investments in large and medium-scale construction projects exceeded the estimates by an average of some 30 percent, and some by more than 100 percent. The result was that the investment became a "bottomless pit that could never be filled." This could not but seriously affect the investment results of construction projects.

The institution of the investment contract responsibility system for construction projects represents a major reform of the economic relationship between the state and the construction units in capital construction and is an effective way to solve the practice of construction units eating from the "big pot" of the state. The construction units and the departments in charge of construction projects calculate the total investments for the projects approved in the state plans and sign investment contract agreements. The construction units contract for the construction of the projects and hold themselves responsible to the state in an all-round way. In light of the principle of using funds with interest, state investments have been changed from financial allocations into bank credits which should be paid with interest. The state allocates the total amount according to the investment contract agreement to the construction bank, which makes payments according to the progress of the project and the practical needs. The

investment saved from the satisfactory execution of the investment contract or the successful completion of the project ahead of schedule is set aside for the construction and contracting units in definite proportions. The extra credits obtained as a result of extended time limit and the extra interest should be covered by the contracting unit because the state will not make any additional investment. This management system, which combines responsibility, authority, and benefit, will help strengthen the sense of responsibility of both the construction and contracting units and arouse their initiative.

In recent years our country has conducted experiments in the investment contract responsibility system for some construction projects and has attained some initial results. The investment contract includes five aspects: total investment amount, construction time limit, project quality, consumption of principal materials, and comprehensive production capacity of the project. A prerequisite for the institution of the investment contract is that the department in charge of the project should fulfill "five guarantees," this is, guaranteeing the main construction conditions, including the prompt supply of construction funds, equipment, and materials; coordination with other units; fixed number of production personnel; supply of materials for trial runs; and so on. In this way we can avoid blindly or hurriedly starting a construction project without the necessary conditions, extending the time limit for the project, or failing to attain the desired results after the completion of the project, and thus achieve better investment results.

The key to the reform of the various management systems of capital construction is the institution of the investment contract responsibility system. The management systems of planning, funds, and materials of capital construction should be reformed appropriately. After signing a contract agreement, the construction unit should also invite bids to choose the best design unit and the unit in charge of construction to contract for the construction task. The building industry should also be reformed appropriately. The gradual institution of the investment contract responsibility system for capital construction projects will certainly further promote an all-round reform of the management systems of China's capital construction and building industry.

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